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# TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1995

Y 4. AP 6/1: T 71/995/PT. 8

Treasury, Postal Service, and Gener...

## HEARING

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS

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C. WILLIAM SMITH, ELIZABETH A. PHILLIPS, DANIEL A. CANTU, and JENNIFER MUMMERT, *Staff Assistants*

**PART 8**

**U.S. POSTAL SERVICE OPERATIONS**

JAN 26 1995

Printed for the use of the Committee on Appropriations

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Printed for the use of the Committee on Appropriations

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# TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR 1995

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WEDNESDAY, SEPTEMBER 28, 1994.

## U.S. POSTAL SERVICE OPERATIONS

### WITNESSES

**MARVIN RUNYON, POSTMASTER GENERAL AND CHIEF EXECUTIVE OFFICER**
**HENRY A. PANKEY, VICE PRESIDENT, AREA OPERATIONS, MID-ATLANTIC AREA**
**PATRICK DONAHOE, WASHINGTON DISTRICT MANAGER**
**EUGENE CARTER III, PLANT MANAGER, NORTHERN VIRGINIA**

### CHAIRMAN HOYER'S OPENING STATEMENT

Mr. HOYER. The hearing will be in order. We expect Mr. Wolf from Northern Virginia to be here any minute, but I don't want to delay further.

The purpose of this hearing is to discuss local mail service, which has been of great concern to those of us who represent the Washington metropolitan area. We had a previous hearing in the summer and indicated that we would be following this matter on a regular basis.

We will be handing out a report dealing with the response from the investigative staff of the Committee on Appropriations to directions given by Mr. Obey, myself and Mr. Lightfoot mandating an interim, short-term investigation of problems in the Washington metropolitan area.

During the course of the appropriations hearings, Mr. Yates, representing Chicago, raised substantial questions about the service in Chicago. Chicago has historically been a troubled area, and has been a focus of attention.

The report of the investigative staff has been completed and has been made available. However, I want to bring to the attention of the Members of the committee and those we have invited to participate that the report was received by Postmaster General Runyon only yesterday late in the afternoon.

Later that day, the Postmaster General and I had a conversation. The Postmaster General correctly observed that he had not had the opportunity to review that report and had not had an opportunity to respond to its specific assertions. I believe that is a fair comment on his part.

I have discussed the matter with Mr. Lightfoot, briefly with Mrs. Norton as well, Mr. Moran just came in, and I suggest that we give to the Postmaster General approximately three weeks to respond,

he and his staff, review the assertions and respond specifically to the questions raised by the report.

The report, as those of you will see when you receive it, raises significant issues of concern to the Postmaster General, to the post office department, and to this committee and Members of Congress, as well as the American public.

During the course of the last hearing and subsequent to that, I have indicated that we will periodically review the progress that is being made. Toward that end, I would suggest to Members of the Committee, that I intend to have a subsequent hearing on the report that was issued by the investigative arm of the Appropriations Committee.

Prior to that time, I don't know how much prior to that time, the Postmaster General has indicated that he would like to submit a written response, and we will have then an opportunity to discuss that in a hearing of this type.

In November, we expect to have a briefing of the subcommittee members by the Postal Service officials of the progress to date and the anticipated needs and efforts for the upcoming holiday mail rush. That will be a briefing, not a hearing.

In January of 1995, we will have a hearing on the progress to date, as well as Postal Service efforts during the holiday period so we can look back and see how we handled what I know is a very difficult volume period for the post office.

And then in February of 1995, we will have a hearing on the GAO's report. General, I will assure you that we will give you more notice on the GAO report than we gave on this one. I feel that we did not give you sufficient notice, and therefore we are going to handle the hearing in the context of what the subject of this hearing was projected to be.

Much of the background information in the investigative staff's report is public knowledge, has been in the press, has been in hearings before, and I am sure that will be referenced. But as it relates to specifics in the report, I would ask the committee Members' indulgence of the Chair that we—and I don't think most of the Members probably have had an opportunity to review it in any event—but we will stick to the subject of the metropolitan area's service, and what actions are being taken to solve the service.

I want to say, General, that in the last hearing and since that time, I asserted and I think you agree that the performance that was reflected in the reports was totally unacceptable, that the backlogs and the storage of mail, either by mistake or on purpose in advance, most egregious in the southern Maryland distribution facility, but present as well in Merrifield, Northern Virginia, was totally unacceptable. I am sure we all agree. No one is defending that.

Whatever the reasons were, a repeat of that is unacceptable. I will reiterate what I said then, that the intent that I have, that this Committee has, and I think the Post Office and Civil Service Committee has as well, is that we get service to the American public consistent with what is not only average, but above average in this area and around the country.

We hope that it will be useful to have periodic regular reviews by this committee. I am sure that Mr. Clay and Mrs. Schroeder,

who will be the Chairman during the next Congress of the Post Office Civil Service Committee, share the concerns.

Mr. HOYER. Mr. Lightfoot.

## MR. LIGHTFOOT'S OPENING STATEMENT

Mr. LIGHTFOOT. Thank you, Mr. Chairman, and thank you, Mr. Runyon for coming today. I know we all are welcoming an update on the delivery situation here in the Washington, D.C. area. Obviously I don't represent this area, but it does affect us because we do receive a good bit of correspondence from constituents back home and it does affect our ability to correspond with them.

I know there is a lot of criticism that has been flying around, but I really think it is important to remember that why we are here is to try to improve the service of the Postal Service, and I don't think that leveling charges and pointing fingers is a very productive way to go about things, and I certainly appreciate the Chairman's comments as far as giving you time to look at this report, giving us time to look at this report, and come back at a later date to get into the specifics. I think that is a very fair way to approach it.

I think we could all work together to solve the problem with mail delivery, not only here but across the country, and bring it back to the high standards that I think the American people just expect from the Postal Service.

General, you took a pretty thankless job when you stepped in as Postmaster General. I know you didn't do it for the paycheck, but you have an excellent track record, and I think that it is important that we give you the opportunity to do that job as well as you can and quite frankly, we want to do what we can to help you to achieve that.

Mr. Chairman, Mr. Wolf is Ranking Member on the Transportation Subcommittee and they are up to their pockets in alligators. Why don't we let Mr. Wolf make his statement? He has to leave. Yield to Mrs. Norton and Mr. Moran as well.

Mr. HOYER. I don't know about unanimous consent, but I am going to recognize Mr. Wolf right now.

## MR. WOLF'S QUESTIONS

Mr. WOLF. Thank you, Mr. Chairman. Mr. Runyon, welcome. I haven't read your report so I wouldn't have any questions on the report, and I don't know what my schedule is, but I will be glad to make sure that I am here at the hearing, whatever, and look at it, and I respect you and I will take a look at what you say.

My questions that—I didn't even know that the report was coming up for this meeting so I don't have any questions. I do have a couple, if I can, and then you may not want to answer them today or you may have to check. I have met, since our last meeting, with a number of postal employees, and a couple of things that I wanted to know.

One, if you can provide me the productivity levels of the Merrifield and Dulles plant prior to Mr. Carter and Mrs. Roe working there, and can you provide the information from the database

in Minneapolis, so that if you will provide that, and in fairness to you, you don't have to answer these. My staff will give you that.

The second question was, what are the hiring and firing figures between the plants and the field offices? We have been told that employees feel the field offices keep their employees while the plants use them up and get new ones, thus inexperienced employees with low levels of productivity are at plants but then the managers blame it on the people supplied by the personnel.

Third question, Mr. Carter—that you could answer was, why was Mr. Carter sent to Baltimore since the last hearing and what is he doing there as compared to his job in Virginia? And then the other question was, we had people contact me who report that the testing for the new positions is often intentionally limited to people living in the District of Columbia area and that the suburbs are not properly notified about the testing, and how have Mr. Carter and Audrey Roe made their selections of the processing and distribution plants supervisory and managerial subordinates, what were the criteria, and why were qualified local candidates passed over in favor of bringing in managers from New York and Texas and Florida? They are the ones that—in fairness to you, why don't I just submit them to you——

Mr. RUNYON. Okay.

Mr. WOLF [continuing]. For you to take back, and then what I would like to ask if we could set up a meeting where I have a whole lot of other issues that I don't want to dump, if I could come by your office and sit down with you sometime in the next couple of weeks where I could go through some of these concerns.

Mr. RUNYON. That would be fine. Be glad to do that.

Mr. WOLF. I will just submit my questions for the record because they just told me, I am the Ranking Member on the transportation bill and the rule is now up, and I am going to go over and handle that, but you can answer this question, then you and I can get together next week, and Mr. Chairman, thank you for the hearing. I will just submit for the record the questions for you to submit to Mr. Runyon.

[Mr. Wolf's questions for the record follows:]

FRANK R. WOLF
10TH DISTRICT, VIRGINIA

WASHINGTON OFFICE
104 CANNON BUILDING
WASHINGTON, DC 20515-4610
(202) 225-5136

CONSTITUENT SERVICES OFFICES
13873 PARK CENTER ROAD
SUITE 130
HERNDON, VA 22071
(703) 709-5800
1-(800)-945-9653
(WITHIN VIRGINIA)

110 NORTH CAMERON STREET
WINCHESTER, VA 22601
(703) 667-0990

# Congress of the United States
## House of Representatives
Washington, DC 20515-4610

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEES
TRANSPORTATION
TREASURY—POSTAL SERVICE—GENERAL GOVERNMENT
COMMISSION ON SECURITY AND COOPERATION IN EUROPE

September 30, 1994

The Honorable Marvin Runyon
Chief Executive Officer, PMG
United States Postal Service
475 L'Enfant Plaza, SW
Washington, D.C. 20260

Dear Mr. Runyon:

I raised a number of concerns at Wednesday's Treasury, Postal appropriations subcommittee hearing that I wanted to follow up on with questions that I would like to discuss.

The following questions and concerns were generated from meetings that I have had with postal workers in my district.

1. Please provide the productivity levels of the Merrifield and Dulles plants prior to Mr. Carter and Ms. Rowe working there and currently. Please provide the levels over the past six to eight years if possible using the information from the database in Minneapolis.

2. What are the hiring and firing figures between the plants and the field offices? [Employees express the concern that the field offices keep their employees while the plants have high turnover; thus, inexperienced employees with low levels of productivity are at the plants but then the managers blame it on the people supplied by personnel.]

3. Why was Mr. Gene Carter assigned to Baltimore since our last hearing? What precipitated this change? What is he doing there as compared to his job in Virginia? What is his current status? Will he be returning to Virginia?

4. Postal employees have contacted me to report that testing for new positions is often intentionally limited to people living in the D.C. area and that the suburbs are not properly notified about testing. How have Mr. Carter and Ms. Audrey Rowe made their selections of Processing and Distribution Plant supervisory and managerial subordinates? What were the criteria? Why were qualified local candidates passed over in favor of bringing managers from New York, Texas, and Florida?

5. I have heard the complaint that plant managers at Dulles and Merrifield are concerned only with what helps the plants, not with what helps the customers. For example, when the end of the tours are reached, I am told it is common practice for the plants to dispatch unworked mail to the offices with the hope that they will work it. There is apparently no loss for the plants under this situation. Moreover, the plants get a bonus, if the mail cannot be worked in the associate offices and it is shipped backed to the plants, it gets recounted as arriving volume. I am told some mail comes to the plants several times before it gets processed. How will the changes you have made address this situation?

THIS STATIONERY PRINTED ON PAPER MADE OF RECYCLED FIBERS

6. I am told the plants use up the available manpower with little or no accountability. The result then is that the plants can make or break a postmaster simply by not working his or her mail. The louder the postmaster complains, the more difficult the plants can make his or her life. As a result most stay silent for fear of retribution I am told. How will the changes you have implemented improve upon this situation? What recourse will those in the field have if this situation persists?

7. I have also heard the complaint that Human Resources serves the plants well but the field offices are often left out. As an example, the field used to have a complement of casual employees. The total number that the Postal Service could employ in one geographic area was defined in the contract. When the numbers changed upward, the plants are given all of the casuals. When the number changes downward, the cuts are made in the field. Thus, the plants have shown a steady increase in manpower while the Field offices are at their lowerst point since the late 1980s. I am told that if postmasters complain, the plants are able to make life difficult for them and audits are threatened in order to undermine the credibility of those who complain. I would appreciate your comments on this matter and would like to know how the changes implemented will alleviate this problem.

8. Please explain the purpose of the "Metropolitan Excellence" program, what it did, and the cost?

These are just some of the concerns; by no means all of them. I would appreciate hearing from you as soon as possible on these matters so that I can review your response before our October 11 meeting. As you know, I take these issues very seriously and will continue to closely monitor and evaluate the postal service and work conditions for postal employees in northern Virginia. Thank you.

~~Sincerely,~~

~~Frank R. Wolf~~
~~Member of Congress~~

FRW:bjc

This is very important.

Thank you.

MARVIN RUNYON
POSTMASTER GENERAL, CEO

UNITED STATES
POSTAL SERVICE

October 7, 1994

Honorable Frank R. Wolf
House of Representatives
Washington, DC 20515-4610

Dear Congressman Wolf:

This responds to your September 30 letter concerning followup questions from the Treasury, Postal Service, and General Government Appropriations Subcommittee hearing.

I recognize your concern about these issues and can assure you that we are making every effort to improve service to our customers and create a productive working environment for our employees. Enclosed are responses to the eight questions. I look forward to meeting with you and discussing any other concerns you may have.

Best regards,

Marvin Runyon

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0010
202-268-2500
FAX 202-268-4860

**1. ANSWER:** Attached are the productivity levels for the Merrifield and Dulles plants. The Dulles figures begin in Fiscal Year 1992, Accounting Period 1, when the plant opened. The Merrifield figures go back to Fiscal Year 1991, Accounting Period 1, the earliest records that are available in the data system. This productivity indicator is used to plan and track the distribution activities in plants, and is calculated using first-handled pieces divided by all mail processing workhours.

**2. ANSWER:** During the last year, 25 employees were removed from the personnel rolls --15 from the processing centers and 10 from the field offices. During the last year, 965 people have been hired in Northern Virginia, either as replacement for retirees or as additional personnel; 536 people were hired into the processing centers and 429 were hired for the field offices. With regard to turnover (resignations and terminations for unsatisfactory performance during the probationary period) during the last year, 55 plant and 93 field employees have left employment.

These figures do not include casual or transitional appointments, as they are temporary employees. Turnover rates tend to be higher in the plants due to the work schedules and the nature of the work. Most of the job assignments in the plants are on Tour 1 (11 p.m. to 7 a.m.) and Tour 3 (3 to 11 p.m.). For many employees, these hours are considered less desirable than the hours worked in the field offices.

**3. ANSWER:** Postal executives and managers routinely are given assignments away from their duty stations to give them an opportunity to increase their managerial and professional skills. Also, the receiving office can benefit from the manager's skills, knowledge and abilities.

Mr. Carter was asked to assume responsibility for the mail processing operations at the Baltimore Processing and Distribution Center because of his extensive knowledge of the Remote Bar Coding System (RBCS). This advanced technology was being deployed at the Baltimore plant to help improve service in the metro area. Because the time frame for activation was shortened, there was an immediate need for a Postal Service manager who had a thorough understanding of RBCS to assume responsibility in addition to the normal duties of a Plant Manager. Mr. Carter provided that leadership while at the same time continuing to be responsible and accountable for the Northern Virginia plant.

Mr. Carter completed his assignment on September 3 and resumed his regular duties as Plant Manager at the Northern Virginia Processing and Distribution Center.

4. **ANSWER:** We maintain separate registers for those metropolitan post offices close in and for those in the Shenandoah Valley (ZIP Codes 226 and 227), since experience has shown that the pool of interested applicants is distinctly different. At the time of hiring from the current register, it was determined that there were enough applicants for transfers to satisfy the hiring needs of the 226 and 227 areas.

The Postal Service makes all personnel selections and promotions on the basis of demonstrated ability, performance, experience, expertise and qualifications. The Postal Service prides itself on affirmative action in hiring and promoting from the widest number of candidates available. The selection of the supervisory and managerial subordinates at the Northern Virginia and Dulles Processing and Distribution Centers followed these criteria.

The candidates were evaluated based on information contained in the Form 991 employment applications. The Form 991 displays the candidates' leadership abilities, communications and human relations skills, mail processing expertise, and management abilities.

In the selection procedure for the Supervisors, Distribution Operations, a round table was formed at each facility that included representatives from the National Association of Postal Supervisors (NAPS). At both facilities there were more positions than candidates due to the shortage of Supervisors, Distribution Operations. Consequently, we had to draw individuals from outside the metro area to fill the authorized positions. Thus, we selected individuals from New York, New Jersey and the Detroit areas where there were excess Supervisors, Distribution Operations.

For managerial positions, there was a shortage of local candidates who, because of their grade levels, were not eligible to apply for these positions. Consequently, we selected interested candidates from outside the metro area who held positions within six grade levels of the MDO positions.

The candidates for supervisory and managerial positions were evaluated impartially based on a fair evaluation of the information provided on each candidate's application, interviews with each candidate, demonstrated performance and reviews of each candidate's Official Personnel Folder.

5. **ANSWER:** One of the major benefits made possible by the establishment of performance clusters is that they are comprised equally of both plant and field management. The purpose of this managerial strategy is to ensure that goals and responsibilities are shared by all groups, and to reduce and eventually eliminate the counter-productive actions that were more likely to occur under the previously divided management groupings. Plant management became very aware of the impact of late dispatches and worked diligently to reduce delays caused by late mailings.

Field management became very aware of automated and mechanized performance and how their performance impacted delivery and retail operations. Both management groups discovered early in the process that their success was interrelated and dependent on each other.

The Northern Virginia Customer Service Performance Cluster is very much concerned with the impacts that daily operations have on service as measured by the Origin Destination Information System (ODIS) and the External First Class Measurement System (EXFC) and on customer satisfaction as measured by the Customer Satisfaction Index (CSI). All of the managers throughout the performance cluster have been issued instructions regarding the need to work together as a team to ensure that our customers attain the highest level of customer satisfaction possible. There are no rewards or bonuses for the return of unworked mail from the stations. Each occurrence where raw mail is mistakenly dispatched from the plant is investigated and corrective action taken. The plant or district managers are not going to award, condone or tolerate this type of activity.

There are occasions, i.e., excessive absences or weather related conditions, when it is necessary to request distribution assistance from the field units. The Northern Virginia District offices in cooperation with the Merrifield and Dulles plants coordinate the dispatch of "unworked" mail.

**6. ANSWER:** As referenced in item 5, performance clusters are made up of both plant and field management whose purpose is to ensure that goals and responsibilities are shared by all groups. Accountability at the plant lies within the performance cluster group, which emphasizes cooperation. The potential of one part of the performance cluster to do irreparable harm to any other part does not exist. The situation described where someone who has complained receives unfair treatment should not occur. No individual postmaster was ever selected for retribution. Customer Services had input to which offices would take working mail.

Administrative personnel, including the plant and district managers, regularly meet to correct or plan for changes to provide a better product. A coordinated effort between the district and plant managers occurs weekly to discuss specific zones that may have recurring problems and action plans are put into place to correct them.

7. **ANSWER:** There has been no shift of casual employees to the processing centers from the field. The number of casuals in the field offices has declined from last year because casuals had been hired to immediately replace the "early out" carriers last year while the career hiring process was operating to replace them permanently. As career carrier replacements were brought in, the number of casuals was reduced.

| | Current Casuals | Casuals Last Year |
|---|---|---|
| Field Offices | 120 | 281 |
| Processing Centers | 129 | 181 |

8. **ANSWER:** The Forum Corporation was hired to serve as the primary agent of cultural and institutional change in an effort to make the Washington, D.C., Metropolitan area postal facilities and operations a model of superior customer services. The Forum Corporation, with experience in assisting over 1,200 other companies, was selected to help ensure that the development of this process was focused on total quality and was properly oriented to the customer's perspective.

The leadership of the local performance clusters formed a team represented by the following areas/facilities:

| | | |
|---|---|---|
| Capitol District | Northern VA GMF | Washington, D.C. (PM) |
| National Airport AMC | Suburban MD GMF | Dulles Airport IMPC |
| Southern MD GMF | Northern VA District | Washington, D.C. GMF |

The primary initial emphasis of this team was on implementing core business improvements in order to have a positive impact on service performance in each of the concerned facilities. This process is well underway and is organized in a management-team building environment heavily focused on demonstrating clear internal leadership with a strong emphasis on customer-driven behaviors and values.

With guidance from Forum, the postal managers on the team developed and are implementing an improvement action plan focused on the core postal business processes (mail collection, distribution, dispatching, transportation, etc.), as well as a major focus on all aspects of customer services.

Under their guidance, 13 teams have been activated, each dealing with a specific aspect of the major items which were identified as areas of opportunity for improvement. The challenges for which each team must craft a solution are at various levels of completion.

The contract with Forum, to end November 15, cost $2.8 million.

PAGE 1

MAIL PROCESSING DIRECT DISTRIBUTION PRODUCTIVITY

| OFFICE | FY | AP | PRODUCTIVITY |
|---|---|---|---|
| DULLES VA | 92 | 06 | 574.3 |
| | | 07 | 676.5 |
| | | 08 | 605.2 |
| | | 09 | 571.4 |
| | | 10 | 585.2 |
| | | 11 | 583.5 |
| | | 12 | 616.0 |
| | | 13 | 625.4 |
| | 93 | 01 | 583.9 |
| | | 02 | 505.0 |
| | | 03 | 462.6 |
| | | 04 | 424.0 |
| | | 05 | 498.5 |
| | | 06 | 495.3 |
| | | 07 | 480.3 |
| | | 08 | 473.6 |
| | | 09 | 460.9 |
| | | 10 | 444.2 |
| | | 11 | 468.3 |
| | | 12 | 468.4 |
| | | 13 | 472.4 |
| | 94 | 01 | 449.4 |
| | | 02 | 463.7 |
| | | 03 | 466.9 |
| | | 04 | 442.4 |
| | | 05 | 510.9 |
| | | 06 | 514.6 |
| | | 07 | 510.1 |
| | | 08 | 543.5 |
| | | 09 | 526.6 |
| | | 10 | 510.4 |
| | | 11 | 524.7 |
| | | 12 | 498.1 |
| | | 13 | 490.0 |

SOURCE: MODSF 10/05/94 07.51.12 FOCEXEC F1PROD

PAGE 1

MAIL PROCESSING DIRECT DISTRIBUTION PRODUCTIVITY

| OFFICE | FY | AP | PRODUCTIVITY |
|---|---|---|---|
| NO. VA FACILITY VA | 91 | 01 | 362.0 |
| | | 02 | 356.6 |
| | | 03 | 329.6 |
| | | 04 | 354.5 |
| | | 05 | 354.7 |
| | | 06 | 356.6 |
| | | 07 | 392.5 |
| | | 08 | 398.2 |
| | | 09 | 390.0 |
| | | 10 | 388.0 |
| | | 11 | 377.6 |
| | | 12 | 394.5 |
| | | 13 | 390.2 |
| | 92 | 01 | 423.5 |
| | | 02 | 376.6 |
| | | 03 | 365.7 |
| | | 04 | 367.6 |
| | | 05 | 410.6 |
| | | 06 | 382.4 |
| | | 07 | 383.0 |
| | | 08 | 385.3 |
| | | 09 | 386.2 |
| | | 10 | 375.4 |
| | | 11 | 396.5 |
| | | 12 | 388.0 |
| | | 13 | 386.1 |
| | 93 | 01 | 388.0 |
| | | 02 | 361.0 |
| | | 03 | 359.8 |
| | | 04 | 361.8 |
| | | 05 | 402.7 |
| | | 06 | 410.6 |
| | | 07 | 411.8 |
| | | 08 | 435.9 |
| | | 09 | 429.7 |
| | | 10 | 438.3 |
| | | 11 | 455.6 |
| | | 12 | 428.6 |
| | | 13 | 433.2 |
| | 94 | 01 | 434.2 |
| | | 02 | 435.4 |
| | | 03 | 442.0 |
| | | 04 | 454.1 |
| | | 05 | 468.3 |
| | | 06 | 431.9 |
| | | 07 | 440.3 |
| | | 08 | 456.5 |
| | | 09 | 456.6 |
| | | 10 | 445.3 |

SOURCE: MODSF 10/05/94 07.51.12 FOCEXEC F1PROD

PAGE 2

MAIL PROCESSING DIRECT DISTRIBUTION PRODUCTIVITY

| OFFICE | FY | AP | PRODUCTIVITY |
|---|---|---|---|
| NO. VA FACILITY VA | 94 | 11 | 466.4 |
| | | 12 | 458.5 |
| | | 13 | 458.4 |

SOURCE: MODSF 10/05/94 07.51.12 FOCEXEC F1PROD

Mr. HOYER. Thank you, Mr. Wolf, and as I say, we will work out the date on which Mr. Wolf can be present during October, as well as as many other Members as we can get to the hearing.

Mr. Visclosky.

Mr. VISCLOSKY. Mr. Chairman, I am fine now.

Mr. HOYER. Mr. Moran.

Mr. MORAN. Thank you, Mr. Chairman, and you know how happy I am to defer to Mr. Wolf at any opportunity. Good luck with the rules there, Frank.

## MR. MORAN'S OPENING STATEMENT

Mr. Chairman, let me first find out if there are any members of the Postal Rate Commission here. Well, that is unfortunate but I was hoping they could be here so that I could refer to them as a bunch of nitwits, because the problem that we are facing is largely their responsibility.

They had the opportunity to increase the cost of postage to 30 cents, thereby achieving a lot of efficiencies in terms of providing change rather than having to provide four pennies to—it would have helped with machines and personnel at post offices, but they thought they were going to prove some ideological point by keeping it at 29 cents, thus built in a $1 billion shortfall.

Mr. Runyon was asked to come in at that point and find the savings to enable them to save face from that decision. We all applauded when he indicated he was going to be able to reduce the Postal Service by about 50,000 people in just the way that we have gone about reducing the Federal Government as a whole. About 34,000, still personnel, all of whom had more than 25 years experience in the Postal Service, took the option of the buyout and about 14,000 management personnel. We thought this was wonderful to be able to reduce 48,000 people out of the Postal Service work force, but now we find out in this report that, in fact, more replacement employees had to be hired because the work performance of the inexperienced new hires was much less than the personnel who had departed.

This is a harbinger of things to come. In five years, we are going to be talking about the loss of government service government-wide because this is exactly what will happen as a result of the 279,000 people that will be cut from the Federal work force as a result of this buyout option.

I think it is important to put this into context because you can't cut that many people without knowing what functions are expendable and what programs can be consolidated. We are being driven by savings measures.

You cannot cut that many people with that much experience without having a direct effect on government service. When reading this report, I think we are going to have any number of reports in Federal agencies throughout the government and we are going to wind up blaming department heads, as Mr. Runyon is taking the heat today, for decisions that ultimately have been made by the Executive Branch and the Congress. As the Chairman knows, I have maintained that we have put the cart before the horse in letting these dollar numbers and personnel cut numbers drive our decision making.

So that is the point I would like to make, Mr. Chairman, and I would hope that it would somewhat balance the criticism that Mr. Runyon is bound to receive, because the reality is that I think he has tried to do a pretty good job under some pretty untenable circumstances, and I think there is a lot of blame to go around.

From a personal standpoint, I really am pleased that Northern Virginia's rate of overnight delivery has actually improved considerably. Forty-six percent was abysmal. Eighty-one percent isn't too bad, and I am glad to see that kind of progress.

Thank you, Mr. Chairman.

Mr. HOYER. Thank you. Ms. Norton.

## MS. NORTON'S OPENING STATEMENT

Ms. NORTON. Thank you, Mr. Chairman. First let me thank you, Mr. Chairman, for calling this hearing and for your attention to following up on the important hearing you held most recently.

I had a town meeting, as I know you did, Mr. Chairman, in order to allow my constituents to hear more detailed information on the District of Columbia and to allow my constituents to come forward with their concerns. I must say, I was very impressed with what my constituents did.

They came forward with documented evidence, their own letters, and various specific experiences. I appreciate that Mr. Pankey, who was accompanied by the Postmaster for the District of Columbia, was very patient and very forthright.

The Postal Service presented its Metropolitan Excellence plan. That plan, if I may say so, has yet to live up to its namesake, but I appreciate that the plan has been named for excellence.

I am particularly interested in the weekly audits. I don't think that anything improves or that the public believes that anything has improved unless they see the real evidence, especially when we are talking about the Postal Service.

Mr. Runyon, if you had asked the average American to guess, before the revelations of July, what city had the best postal service in the United States, the average American, not knowing, would probably have said Washington, D.C., and they probably would have said Washington, D.C. because, not only do 600,000 people live here, but this is the seat of government and the most important mail in the United States comes here from all over the world and from the constituents of my colleagues.

So of course we, and I think most Americans, are dumbfounded to find that the District of Columbia has the worst service delivery record in the world. I was concerned at that town meeting that while there was improvement, that there was great unevenness, and so I am particularly concerned for myself and for my colleagues whose mail comes here that there be incremental, steady improvement which does not slip back one week or one month and then have to come up again.

I thank you very much for the work you are doing. It is clear from the town meeting that we had that a very good faith and energetic effort has been made. I have no doubt that if Mr. Hoyer continues to do as he has done, and our own committee works as we intend, that we will see the improvements that we have asked for.

Thank you very much, Mr. Chairman.

Mr. HOYER. Thank you, Ms. Norton.

Ms. Morella.

## MS. MORELLA'S OPENING STATEMENT

Ms. MORELLA. Thank you, Mr. Chairman. I should be very brief.

Mr. Chairman, I wanted to thank you for calling this follow-up meeting and for asking for the report which we have before us that we are not only scrutinizing, but are going to hear the response from the postal system from our Postmaster General.

I am—as somebody who has been to all of these meetings that we have had on our Post Office Civil Service Committee meeting and the meeting you had here in appropriations and representing the local area that has had such a tremendous problem with the failure of mail delivery and mail that has been pushed aside and kind of disappeared out of sight until finally it was recognized as having been there—I am very concerned with the kind of progress that we are making.

As the report designates, personnel, as we have found over and over again, has been a problem; the training, the attitude, whether it is generating a chilling effect, whether there is a fear of recriminations, and the vision—the vision with the buyouts, are with the reorganization. Where is the vision about where we are going and the accountability. I know it has not been easy.

I don't plan to jump on the postal system because I also can see some improvements, but I think it is critical to the future of the postal system that here and now we grasp onto what our vision is and how to get there and get the resources, concepts, and determination to do that, and we in Congress are here to help because our constituents are the ones who are the recipients, along with us, of mail as a form of communication.

I am also interested in, as you work further with the information superhighway and the bulk mail service, that we never lose sight of the first class overnight mail, and so I thank you again, Mr. Chairman, for calling this hearing. I look forward to hearing from the Postmaster General and our postal people.

Mr. HOYER. Thank you, Mrs. Morella.

Mr. Wynn.

## MR. WYNN'S OPENING STATEMENT

Mr. WYNN. Thank you, Mr. Chairman, for calling this follow-up meeting of the Committee for a hearing on the U.S. Postal Service and also for extending an invitation to those of us in the Washington metropolitan area who are not on the committee.

Unfortunately, due to a markup in Foreign Affairs, I am not going to be able to stay for the full hearing, but I do appreciate this follow-up opportunity. I also want to thank you for inviting me to partnership with you in a little visit we made to the Capitol Heights facility. I think that that was very productive. I think a lot of people have gotten very positive feedback from that.

I think that we have accomplished, if nothing else, Mr. Chairman, thanks to your leadership in large part, bringing this issue

into focus, and I don't think it would be helpful to belabor the problems. I think the problems have now become quite obvious.

In this report which Mr. Runyon will be allowed to respond to at a later date, there are a couple of points that I think are really the essence of the problem, and that was a buyout process resulting in 47,000 employees leaving the service, and it was conceptualized at least that these would not be front-line people, but in fact would be the mid-managers who didn't touch the mail.

In point of fact, what happened, only 13,800 mid-managers left, some 33,000 skilled employees left, and we had a crisis. The crisis is being responded to by way of rehires, and that obviously is positive, but that was a fundamental mistake, and I think that has to be acknowledged.

Second, I think that there is a morale problem in the Postal Service that has to be addressed. A lot of people on the front lines are now raising the question, well, what was going on, you know, my life was disrupted. I was sent to a relocation center. You know, my situation was up in the air, only to find out that they have got to come back and rehire people. So that is a cause of a great deal of frustration, and I think that it will take a little time for us to get past that.

With respect to my own district, and I will ask to be excused for being somewhat parochial, I think there is a problem in the Capitol Heights facility that we visited, and I hope that Mr. Runyon would take occasion to personally visit. There are some good people out there that are working very hard, and I think responsiveness from the top would be very helpful to those people.

I understand improvements have been made, automation is coming on track and hopefully will resolve some of the problems. My view at this time is, we know the problems, management decisions regarding buyouts were an error. Forecasting of the amount of mail was also a problem. In other words, they forecasted about a 3 percent increase in mail. In fact, they got about a 6 percent increase in mail.

Having said that, I think we have to look to the future. I am hopeful, and certainly optimistic, that Mr. Runyon and Mr. Pankey will be able to address these problems, and if not in their testimony today, certainly at a later date after they have had a chance to digest the contents of this report, that they will be able to look at more specific approaches, such as the local mail-only boxes that they began to implement.

But there are some other things that can be done to address this problem. So again, Mr. Chairman, I think you have done an excellent job. I think we all know the problem. I think what we have to do now is see what the leadership of the post office does to resolve it.

If it is not resolved though, I hope, Mr. Chairman, that we will, at an appropriate time, perhaps six months from now, something like that, look at whether or not the leadership has responded to the problem adequately.

Thank you.

Mr. HOYER. Thank you, Mr. Wynn.

General, again, I want to thank you for being with us. All of us believe this is a very serious problem. We look forward now to

hearing from you on what steps have been taken to improve service in the Washington metropolitan area, and to the extent you want to refer to other areas of the country, that certainly is acceptable as well.

Mr. RUNYON. Thank you.

Mr. HOYER. Postmaster General Runyon.

## MR. RUNYON'S STATEMENT

Mr. RUNYON. Thank you, Chairman Hoyer, and good morning to the Members of the committee. With me at the table today are William Pankey, Area Vice President, Pat Donahoe, Washington District Manager, and Eugene Carter, Plant Manager of Northern Virginia.

In our last appearance before this subcommittee, you asked us to report back on our progress in improving our performance. I want you to know that our plans are on track. We have made gains, and we are committed to achieving further improvement.

Mr. Pankey and his team are on target in implementing their service improvement plan, which was presented to you at the last hearing. They have added additional or necessary staffing, hiring more than 375 new postal employees in the Washington metropolitan area and over 100 employees in Baltimore.

They have made a number of management changes and implemented many of the processing and handling improvements they described in July. They are in the process of upgrading the equipment and appearance of their retail lobbies and their customer response systems, and they are working to secure additional work space.

Interim diagnostic tests show that the efforts are paying off. As you know, back in March when the problems in Chicago came to a head, I became concerned about possible difficulties in other cities. I told the Inspection Service to provide me with an independent mail condition snapshot in 10 areas of the country.

Since then, we have been conducting diagnostic tests in these major cities, including Washington, D.C. Recent tests focusing on service within the communities of the D.C. area show solid improvement. We expect this upward trend to be confirmed by more comprehensive national statistics being prepared by our independent auditors.

However, we need to keep this progress in perspective. We have a lot of work ahead. Adding new employees and changing systems take time to pay full dividends. Bottom line, the service in this area has improved, and the steps being taken by the D.C. area management team will show greater gains in the weeks and months ahead. Mr. Pankey will provide more details in a moment.

As I indicated, national service results are due in a few days. We expect to see modest gains in some cities. This summer, American businesses have used the mail in record quantities to reach out to new customers, promote their business, and bring in new business.

This surge in volume has been good for postal finances, but it has challenged our operations in some areas. We expect this growth in mail volume to continue into the holidays, so to make sure we meet the needs of our customers, we have worked closely

with industry leaders to put together a solid service plan for the fall.

We have added about 1.5 million square feet of operating space to process the mail. We have added transportation, equipment, and seasonal staffing. We have identified pinch points in our network and developed contingency plans to reroute the mail as needed, and we have set up a national operations management center at Postal Service headquarters.

This center is allowing us to monitor mail flow across the Nation and respond quickly to performance problems and changing customer needs. And I would like to invite the Members of this subcommittee to visit the center and learn more about how we are managing the mail.

We are ready to deliver this holiday season.

Nationally, we have made important progress in other areas too. The independent auditors are still going over the books, but I am pleased to report that the numbers show we will beat our budget in 1994. Revenue is up and the expenses are down. Bottom line, we will finish the fiscal year on target financially. We will be $1 billion better off than some industry observers predicted just a few months ago.

The price of postage will still be 29 cents for the fourth consecutive year. Compared to where we were two years ago, with a bloated bureaucracy, declining mail volume, and a looming 35-cent stamp, we have come a remarkably long way, and I want to thank postal employees all across the country for helping us get here.

We continue to stand firmly behind our rate proposal for the next year. The 10.3 percent across-the-board rate case is two percentage points below inflation and the smallest increase sought by the Postal Service in the last 25 years. The majority of business mailers continue to support this proposal. Chief Operating Officer Bill Henderson and Controller Richard Porras have testified before the Postal Rate Commission on its merits. We intend to fight for it. And we intend to make it work.

For me, the bottom line measure of performance is found in the opinions of customers. On Monday, I had the opportunity to speak at the National Postal Forum here in Washington and visit with more than 6,000 mailers who are there to learn better ways to get the most out of their mail.

In the question and answer session, several rose to offer their praise and support, acknowledging our efforts, and, more importantly, the improvements they have seen.

The Mailers Council, an organization representing many of the Nation's largest mailers and some three-quarters of our mail volume, has also written in support of our agenda for change, and with your permission, I would like to enter a letter from them into the record.

[The information follows:]

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# MAILERS COUNCIL

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Chairman and Chief Executive Officer
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Larry Franklin
President, Chief Executive Officer
Harte-Hanks Communications, Inc.

Edward L. Goldberg
Executive Vice President
[illegible], Systems & Telecommunications
Merrill Lynch & Co., Inc.

George V. Grune
Chairman and Chief Executive Officer
The Reader's Digest Association, Inc.

Irvine O. Hockaday
President & Chief Executive Officer
Hallmark Cards, Inc.

Jonathan Linen
Vice Chairman
American Express Company

William R. McCarthy
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Arthur B. Sackler, Esq.
808 Connecticut Avenue, N.W.
Suite 800
Washington, D.C. 20006
(202) 862-9870
Fax: (202) 457-8861

August 11, 1994

The Honorable J. Sam Winters
Chairman, Board of Governors
U.S. Postal Service
475 L'Enfant Plaza, SW
Washington, DC 20260

Dear Mr. Chairman:

On behalf of the Mailers Council, and of our own organizations which are among your largest customers, we write to reaffirm our support for the groundbreaking initiatives undertaken by the Postal Service to reinvent itself in a more efficient, more competitive form. As trustees of the Council, we want you to know that the organization appreciates the direction set by the Board, the leadership of Postmaster General Marvin Runyon, the cooperation of the postal unions and the hardworking effort of your employees to achieve necessary change.

We are hardly unaware, of course, of the generalized deterioration in mail delivery as well as some outright breakdowns around the country. The Council -- and we -- believe that these problems cannot be tolerated and must be fixed. We recognize, however, that the Postal Service is mounting an intense effort to resolve its service problems. Indeed, we are encouraged by the turnaround you are reporting in Chicago. The rest of the trouble spots must see similar improvement.

Nonetheless, we believe it is vitally important for everyone concerned about the system, supporters and critics alike, to understand what is at stake here and place the recent problems in perspective. The business mailing community is perhaps more attuned than anyone to the advent of alternatives to the postal system, and we see many developing. USPS must take major steps in order to meet this gathering competition and remain a relevant and useful delivery system well into the 21st century. None of such steps is without substantial risk, risk that we believe USPS would not have taken without Marvin Runyon and your willingness to support him.

We believe that your debt refinancing, the innovative 10.3% across-the-board rate proposal and, most of all, the restructuring are bold and risky efforts to overcome the status quo. All are building blocks to a

reinvented postal system. And there already have been tangible results, such as extending the time between rate cases for a year, saving the American mailing public billions of dollars.

But this is not a smooth process; it has its bumps and setbacks. The experience of business (including some of ours) with reinventing itself, and particularly restructuring, has been that it is a difficult process that takes time to obtain savings, productivity increases and overall improved performance. Given the size of the postal system, we have no doubt that more time is necessary to complete its reinvention. Any judgment, then, of your restructuring or other initiatives as successes or failures would be far too premature. We urge you to stay with your program and not make any major, mid-course changes. That would be counterproductive.

In the meantime, the Council salutes the risk all of you have taken with this program. To have not tried, to have stuck with the safe and conventional, would have left the Postal Service dramatically more open and vulnerable to its competitors and its future much sooner in doubt. The Council, for its part, does not believe that way would have best served the system, your customers, or the public interest.

Thank you.

Sincerely,

**REGINALD K. BRACK, JR.**
Time Inc.

**EDWARD L. GOLDBERG**
Merrill Lynch & Co., Inc.

**IRVINE O. HOCKADAY**
Hallmark Cards, Inc.

**WILLIAM E. MCCARTHY**
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American Express Company

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Sears, Roebuck and Co.

**AMB. NICHOLAS A. VELIOTES**
Association of American Publishers, Inc.

cc: U.S. Postal Service
Board of Governors

Mr. RUNYON. There is more work to do. We are not where we intend to be in our performance. But we have a plan in place and we are moving in the right direction. And we will get there.

Now, I would like to ask Mr. Pankey to update you on his improvement plan for the Washington metropolitan area.

Mr. HOYER. Mr. Pankey. Thank you, General.

[The prepared statement follows:]

Remarks By

**Marvin Runyon**

Postmaster General and Chief Executive Officer
U.S. Postal Service

At the

Subcommittee on Treasury, Postal Service and General Government
Committee on Appropriations
U.S. House of Representatives

Washington, DC
September 28, 1994

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However, we need to keep this progress in perspective. We have a lot of work ahead. Adding new employees and changing systems take time to pay full dividends. Bottom line, the service in this area has improved, and the steps being taken by the DC-area management team will show greater gains in the weeks and months ahead. Mr. Pankey will provide more details in a moment.

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Now I would like to ask Mr. Pankey to update you on his improvement plan for the Washington metro area.

Mr. Pankey?

# # # #

## Mr. Pankey's Statement

Mr. Pankey. Thank you, Mr. Chairman, and good morning and thank you, Mr. Runyon, for the introduction.

I am pleased to be here and provide you with an update on our efforts to improve service in the Washington, D.C. metropolitan area.

We are now 60 days into our efforts to restore mail service to the levels our customers expect and deserve. We have made progress in our back to basics approach to improvement. Our internal indicators for both Washington and Baltimore are beginning to show positive trends.

While we still have areas that need work, we are taking additional actions that will lead to better performance in both the short and long term.

I would now like to turn to our progress in improving our performance in four key areas: Staffing, operational process, retail and customer services, and the metro infrastructure. I will also describe the steps we are taking to keep our momentum going.

### STAFFING

We have placed emphasis on adequately staffing our operations, making sure we have the right number of people in the right places and at the right time.

Over the past two months in the Washington D.C. area alone, we hired 179 new letter carriers, 20 new window clerks, and 30 new mail handlers, and also we have hired an additional 60 mail handlers in the southern Maryland plant.

In Baltimore, we converted 84 transitional workers to career employment and last month hired an additional 33 clerks and 85 letter carriers.

In Northern Virginia, 90 new letter carriers have been hired, trained and are now working in delivery units where they are needed most. Approximately 90 more letter carriers are in the hiring training process and are due to report to work within the next six weeks.

With heavy holiday mail volumes approaching, we plan to hire approximately 400 temporary clerks and 45 temporary letter carriers in Northern Virginia to handle the holiday volume, international and military mail dispatched from the Dulles processing center.

### OPERATIONAL PROCESSES

Our second area of emphasis is on our operational processes.

To help speed mail delivery in the Washington and Baltimore areas, we installed special collection boxes for local mail only.

In the Baltimore area, we are identifying mail originating and destinating within the city 212 zip code area, isolating it and placing it in orange trays for faster processing. Baltimore has also established mail drops for mail originating and destinating in the same five digit zip code, and all post offices are separating mail addressed to 212 and dispatching it earlier in the day. This action will show continuous improvements in service for the Baltimore area.

In Northern Virginia, we moved our equipment to improve efficiencies. We have redeployed a flat sorter machine from the Merrifield plant to the Dulles plant and we have relocated a bar code sorter from the Dulles plant to the Merrifield operations. This will enable us to better match the type of mail to automation which is needed to process the mail in each facility. We have also completed plans to move manual sortation to eight Northern Virginia post offices to expedite mail distribution to letter carriers in our effort to improve service to our customers.

Our early mail collection efforts have resulted in 40 percent of the mail being canceled by 6:00 p.m. in Washington D.C., and 50 percent in Baltimore, an improvement of 30 percent.

These steps will help us ensure that what comes in today gets sorted today and dispatched today and delivered tomorrow.

When I arrived here, mail destined to government agencies and city residents addressed to Washington, D.C. was mixed together. To help improve mail delivery to both government and private residents of the District, processing plants nationwide are now isolating official mail for the 202 through 205 zip codes from other Washington, D.C. mail.

In addition, a government mail delivery improvement team has been formed. They have identified hundreds of incorrect addresses that customers send to government agencies. By working together with the Government Mail Improvement Team, we can substantially reduce the amount of misrouted mail.

## RETAIL AND CUSTOMER SERVICES

The third area we are focusing on is retail and customer services.

I am pleased to report we have established customer advocate positions in 12 delivery units in Washington, D.C. These employees are the central contact for customers. If customers have a concern about their mail delivery, these individuals will talk with the carrier on the customer's behalf and get it straightened out.

In addition, we have already conducted town hall meetings in Washington, D.C. and in seven southern Maryland offices to hear what our customers are saying and respond to their needs.

In November, we will have a local call telephone system in place so that our D.C. customers can get fast, professional attention to their concerns as well as an up-to-date information on zip codes, service hours, and other issues.

In our effort to provide more convenient services to our customers in Northern Virginia, we have opened a new postal contract unit at Gunston Hall to serve the mailing needs of the Mason Neck community. Also, a postal contract unit was opened at the Reston Towne Center and in Lake Ridge to serve customers in those areas.

To speed window transaction times in Northern Virginia post offices, we are piloting an automated check verification process for customer convenience.

## INFRASTRUCTURE NEEDS

The final part of our plan focuses on improving our infrastructure. We are working to upgrade our facility and equipment infrastructure.

In addressing our infrastructure needs, we are moving forward in several areas. For our processing plants, I am pleased to report that the dock expansion project for the Washington D.C. main post office is already under way.

In addition, we have completed phase one of a three-phase expansion of the Merrifield truck docks. This project not only expands our dock space to meet operational needs, but improves our customer and employee work environment by enclosing the dock operations to shield them from the weather.

In Herndon, Virginia, we have begun lobby renovations and we have also extended Saturday window service until 2:00 p.m. there, and we have completed lobby renovations at the main posts office in Falls Church, Virginia.

Early next year we will complete the renovation and expansion of the Preston King station of the Arlington post office. This station will feature our new retail store concept.

Washington, D.C. has completed Project Pride lobby improvements in 38 offices. These improvements include lobby painting, floor stripping, and improved signage. In addition, we will have installed new vending equipment in 73 offices by the end of next month to further help our customers.

In the areas where new facilities are badly needed, we will be doing everything we can to speed construction. Through recent surveys, we have identified 57 facilities in need of improvements. In Bristow and Bluemont, Virginia we are moving forward with plans for new leased facilities to come on line next year. In McLean, Virginia, we are in the process of searching for a site to house a new main post office.

In summary, over the past few weeks, our intense focus on service improvement has resulted in progress to rebuild service quality in the Nation's capital. In the past 60 days, we have reduced delays—reduced delayed mail by 68 percent. Our internal measurement systems over the past 60 days show improvement in on-time delivery and other performance categories in the Washington and Baltimore areas.

We anticipate our back to basics focus will continually show improvements in these two cities. Over the next several months, we will be put to the test as we enter our heaviest mail volume period in the Postal Service, and we are prepared to meet that challenge.

We still have a long way to go to bring service to the levels our customers expect and deserve, but we have established a foundation for continuous improvement. With the support of the more than 28,000 dedicated employees, each of you, and our customers, I am confident that we can make the Washington metro area a big city model of quality service for the Nation.

Thank you, Mr. Chairman, for the opportunity to discuss our plans. Now, I would be happy to answer any questions you may have.

Mr. HOYER. Thank you very much, Mr. Pankey.

[The prepared statement follows:]

84-364 O - 94 - 3

Statement by

**HENRY A. PANKEY**

Vice President, Area Operations
Mid-Atlantic Area

Before the

Subcommittee on Treasury, Postal Service and General Government
Committee on Appropriations
U.S. House of Representatives

Washington, DC
September 28, 1994

Good morning Mr. Chairman.

I am pleased to be here and provide you with an update on our efforts to improve service in the Washington, DC metropolitan area.

We are now 60 days into our efforts to restore mail service to the levels our customers expect and deserve. Our internal indicators in both Washington and Baltimore are beginning to show positive trends. We have made progress in our "back to basics" approach to improvement.

While we still have areas that need work, we are taking additional actions that will lead to better performance in both the short- and long-term.

I would now like to turn to our progress in improving our performance in four key areas -- staffing, operational process, retail and customer services, and the Metro infrastructure. I will also describe the steps we are taking to keep our momentum going.

Staffing

We have placed emphasis on adequately staffing our operations, making sure we have the right number of people in the right places and at the right time.

Over the past two months, in the Washington, DC area alone, we hired 179 new letter carriers, 20 new window clerks, and 30 new mail handlers, and hired an additional 60 mail handlers in the Southern Maryland plant.

In Baltimore, we converted 84 transitional workers to career employment and last month hired an additional 33 clerks and 85 letter carriers.

In Northern Virginia, 90 new letter carriers have been hired, trained and are now working in delivery units where they are needed most. Approximately 90 more letter carriers are in the hiring/training process and are due to report to work within the next six weeks.

With the heavy holiday mail volumes approaching, we plan to hire approximately 400 temporary clerks and 45 temporary letter carriers in Northern Virginia to handle the holiday volume and international military mail dispatched from the Dulles Processing Center.

Operational processes

Our second area of emphasis is on operational processes.

To help speed mail delivery in the Washington and Baltimore areas, we installed special collection boxes for "local mail only."

In the Baltimore area, we are identifying mail originating and destinating within the city 212 ZIP Code area, isolating it, and placing it in orange trays for faster processing. Baltimore has also established mail drops for mail originating and designating in the same 5-digit ZIP Code, and all post offices are separating mail addressed to 212 and dispatching it earlier in the day. This action will show continiuos inprovements in the Baltimore Area.

In Northern Virginia, we moved our equipment to improve efficiency. We've re-deployed a Flat Sorter Machine from the Merrifield plant to the Dulles plant and we have relocated a Bar Code Sorter from the Dulles plant to the Merrifield operation. This will enable us to better match the type of mail to automation which is needed to process the mail in each facility. We've also completed plans to move manual sortation to eight Northern Virginia post offices to expedite mail distribution to letter carriers in our effort to improve service to our customers.

Our early mail collection efforts have resulted in 40 percent of the mail being canceled by 6 p.m. in Washington and 50 percent in Baltimore -- an improvement of 30 percent.

These steps help us ensure that what comes in today gets sorted today and dispatched today and delivered tomorrow.

When I arrived here, mail destined to Government agencies and city residents addressed to Washington, DC was mixed together. To help improve mail delivery to both government and private residents of the District processing plants nationwide are now isolating "Official Mail" for the 202 through 205 ZIP Codes from other Washington, DC mail.

In addition, a Government Mail Delivery Improvement Team has been formed. They have identified hundreds of incorrect addresses that customers send to government agencies. By working together with the Government Improvement Team, we can substantially reduce the amount of misrouted mail.

Retail and customer services

The third area we are focusing on is retail and customer services.

I am pleased to report we have established Customer Advocate positions in 12 delivery units in Washington. These employees are the central contact for customers. If customers have concerns about their mail delivery, these individuals will talk with the carrier on the customers' behalf and get it straightened out.

In addition, we have already conducted Town Hall meetings in Washington, DC and in seven Southern Maryland offices to hear what our customers are saying and respond to their needs.

In November, we will have a local call telephone system in place so that our DC customers can get fast, professional attention to their concerns as well as up-to-date information on ZIP Codes, service hours and other issues.

In our efforts to provide more convenient services to our customers in Northern Virginia, we have opened a new postal contract unit at Gunston Hall to serve the mailing needs of the Mason Neck community. Also, a postal contract unit was opened at Reston Towne Center, and in Lake Ridge to serve customers in those areas.

To speed window transaction times in Northern Virginia post offices, we are piloting an automated check verification process for customer convenience.

Infrastructure

The final part of our plan focuses on improving our infrastructure. We are working to upgrade our facility and equipment infrastructure.

In addressing our infrastructure needs, we are moving forward in several areas. For our processing plants, I am pleased to report that the dock expansion project for the Washington, DC Main Post Office is already underway. In addition, we have completed phase one of a three-phase expansion of the Merrifield truck docks. This project not only expands our dock space to meet operational needs but improves our customer and employee work environment by enclosing the dock operations to shield them from the weather.

In Herndon, Virginia, we have begun lobby renovations and we've also extended Saturday window service until 2 p.m. there. And we have completed lobby renovations at the main post office in Falls Church, Virginia.

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Summary

Over the past few weeks, our intense focus on service improvement has resulted in progress to rebuild service quality in the nation's capital. In the past 60 days, we have reduced delayed mail by 68 percent . Our internal measurement systems show improvement in on-time delivery and other performance categories in the Washington and Baltimore areas. We anticipate our Back to Basics focus will continiously show improvements in thoses two cities. We expect these improvements to be reflected in soon-to-be-released External First-Class Measurement System results.

-Over the next several months, we will be put to the test as we enter our heaviest mail volume period in the Postal Service. And we are prepared to meet that challenge.

We still have a long way to go to bring service to the levels our customers expect and deserve, but we have established a foundation for continuous improvement. With the support of more than 28,000 dedicated employees, each of you, and our customers, I am confident we can make the Washington metro area a big city model of quality service for the nation.

Thank you, Mr. Chairman, for the opportunity to discuss our plans.

Now, I'd be happy to answer any questions you may have.

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MAIL SERVICE PERFORMANCE

Mr. HOYER. Mr. Runyon, your statement was relatively general, I think.

Do you have any statistics comparing on-time delivery during previous quarters relative to on-time delivery today? And I would say as an aside, Mr. Pankey, I found your statement relatively superficial as it relates to southern Maryland. Most of it dealt with Washington, D.C. and Northern Virginia.

I think that is interesting, but I think if I were you, I would have paid a little more attention to southern Maryland. Southern Maryland is one of the worst performing areas, according to the report, and as I told you last time, it is going to change.

But notwithstanding that, statistically, where do we stand in terms of on-time delivery? When Mr. Wynn and I visited the facility in Capitol Heights.

[The information follows:]

Turnaround time for any class of mail is the time it takes for mail pieces mailed in a given area to be delivered within that same area. Our service commitments of third-class mail in the Capital area call for delivery within three days for mail deposited at a processing and distribution facility to points within its service area. For mail pieces exchanged between facilities (e.g., between the Capitol Heights facility in Maryland and the Brentwood Road facility in Washington, D.C.), the service commitment is four days.

Mr. HOYER. I asked the supervising personnel there how often we were hitting, the four-day target for third class mail, and she initially told me 60 percent and she said, well, maybe 50 percent. So it is between 50 and 60 percent that we are meeting our target at that facility as recently as three or four weeks ago when we visited there.

But statistically, General, do you have any specifics, so we can judge progress between the last hearing and what we have today?

EXTERNAL FIRST CLASS MAIL MEASUREMENT

Mr. RUNYON. I don't recall exactly what statistics we are referring to, but we do have a measure called EXFC, which is First Class, on time measurement. We should get a report on that by the end of this week or the first part of next week, which is a quarter report.

Now, I would caution that the quarter report is for the whole quarter.

Mr. HOYER. Right.

Mr. RUNYON. So that includes some time that it wasn't very good up to the time where it is better now. We also receive a weekly report from the Inspector General, which I don't know if you are getting that or not, but we would certainly be glad to supply that with you for the last week or whatever you would like to have.

Mr. HOYER. I think that would be useful so we can review it, but the EXFC, I guess is what you call it.

Mr. RUNYON. That is the on time delivery for first class mail.

Mr. HOYER. On time delivery for first class mail.

In southern Maryland, it was 76.9 percent for fiscal year 1993, third quarter. Fiscal year 1994, third quarter, 69.58. So in that year, it had fallen by approximately 10 percent.

Mr. Moran mentioned 81 percent. Northern Virginia, I have fiscal year 1993, third quarter, 74.09 percent, 71, not 81, point 23 percent, fiscal year 1994, third quarter. Now, obviously that is not the third quarter because that—when did the third quarter end? That doesn't end until—tomorrow.

Mr. PANKEY. That would be our fourth quarter.

Mr. HOYER. This is the fiscal quarter so fiscal year 1994, third quarter, down to 71 percent in Northern Virginia. That is related to the national average of 81.69.

It is nice to say we are making progress, but it is very difficult for me or for the Committee to get a handle on progress if it is not accompanied by actual statistical analysis of what progress means, and we need to know that, so—

Mr. RUNYON. We can supply you with that data, when we get it, from the external auditors, and as I say, that will be the end of this week or the first part of next week.

[Chart insert.]

## Customer Satisfaction Index (CSI) & External First-Class Measurement System (EXFC) May 28, 1994 — September 16, 1994

**National Overall Performance**

**CSI** ..... Customer Ratings (Excellent/Very Good/Good) ..... **85%**

**EXFC** ..... Overnight First-Class On Time Service Performance ..... **82%**

(Note: EXFC measurement excludes Express Mail Service)

— Not separately measured or reported
* Two Day performance only

| Local Performance | CSI | EXFC |
|---|---|---|
| Akron (OH) | 87 | 78 |
| Albany (NY) | 92 | 83 |
| Albuquerque (NM) | 82 | 85 |
| Anchorage (AK) | 89 | 90* |
| Atlanta (GA) | 83 | 77 |
| Austin (TX) | 86 | 88 |
| Bakersfield (CA) | 86 | — |
| Baltimore (MD) | 84 | 66 |
| Baton Rouge (LA) | 85 | — |
| Billings (MT) | 89 | 92 |
| Birmingham (AL) | 82 | 74 |
| Bismarck (ND) | 88 | — |
| Boise (ID) | 88 | — |
| Boston (MA) | 87 | 81 |
| Brockton (MA) | 93 | — |
| Brooklyn (NY) | — | 78 |
| Buffalo (NY) | 92 | 92 |
| Caribbean (PR/VI) | 87 | — |
| Cedar Rapids (IA) | 91 | — |
| Charleston (SC) | 86 | — |
| Charleston (WV) | 85 | 87 |
| Charlotte (NC) | 88 | 86 |
| Cheyenne (WY) | 85 | — |
| Chicago (IL) | 51 | 71 |
| Cincinnati (OH) | 87 | 82 |
| City of Industry (CA) | 88 | 88 |
| Clarksburg (WV) | 85 | — |
| Cleveland (OH) | 83 | 76 |
| Colorado Springs (CO) | 84 | — |
| Columbia (MO) | 85 | — |
| Columbia (SC) | 88 | 81 |
| Columbus (OH) | 85 | 86 |
| Corpus Christi (TX) | 83 | — |
| Dallas (TX) | 82 | 78 |
| Dayton (OH) | 87 | — |
| Denver (CO) | 87 | 81 |
| Des Moines (IA) | 85 | 91 |
| Detroit (MI) | 83 | 77 |
| Duluth (MN) | 90 | — |
| El Paso (TX) | 88 | — |
| Erie (PA) | 89 | 88 |
| Eugene (OR) | 90 | — |
| Evansville (IN) | 88 | — |

| Local Performance | CSI | EXFC |
|---|---|---|
| Fargo (ND) | 91 | — |
| Fayetteville (NC) | 85 | — |
| Fort Smith (AR) | 86 | — |
| Fort Wayne (IN) | 88 | — |
| Fort Worth (TX) | 88 | 82 |
| Fresno (CA) | 89 | — |
| Gary (IN) | 84 | — |
| Grand Junction (CO) | 82 | — |
| Grand Rapids (MI) | 91 | 87 |
| Green Bay (WI) | 90 | — |
| Greensboro (NC) | 88 | 88 |
| Greenville (SC) | 87 | — |
| Gulfport (MS) | 85 | — |
| Harrisburg (PA) | 92 | 86 |
| Hartford (CT) | 90 | 83 |
| Honolulu (HI) | 91 | 87 |
| Houston (TX) | 86 | 80 |
| Indianapolis (IN) | 84 | 86 |
| Inglewood (CA) | 81 | 84 |
| Jackson (MS) | 85 | 85 |
| Jacksonville (FL) | 86 | 83 |
| Johnstown (PA) | 89 | — |
| Juneau (AK) | 84 | — |
| Kansas City (KS) | 87 | — |
| Kansas City (MO) | 88 | 81 |
| Knoxville (TN) | 83 | — |
| Lancaster (PA) | 87 | 78 |
| Lansing (MI) | 89 | — |
| Las Vegas (NV) | 84 | 79 |
| Lehigh Valley (PA) | 90 | — |
| Lexington (KY) | 88 | — |
| Little Rock (AR) | 82 | 87 |
| Long Beach (CA) | 87 | 90 |
| Long Island (NY) | 83 | 81 |
| Los Angeles (CA) | 75 | 80 |
| Louisville (KY) | 88 | 88 |
| Lubbock (TX) | 84 | — |
| Macon (GA) | 86 | 88 |
| Madison (WI) | 92 | — |
| Manchester (NH) | 90 | 89 |
| Memphis (TN) | 82 | 80 |
| Miami (FL) | 80 | 72 |
| Middlesex-Essex (MA) | 94 | 86 |

| Local Performance | CSI | EXFC |
|---|---|---|
| Milwaukee (WI) | 89 | 79 |
| Minneapolis (MN) | 90 | 83 |
| Missoula (MT) | 89 | — |
| Mobile (AL) | 82 | — |
| Montgomery (AL) | 84 | — |
| Nashville (TN) | 88 | 85 |
| New Brunswick (NJ) | 87 | 88 |
| New Haven (CT) | 90 | — |
| New Orleans (LA) | 85 | 84 |
| New York (NY) | 60 | 69 |
| Newark (NJ) | 84 | 77 |
| Norfolk (VA) | 87 | — |
| North Bay (CA) | 87 | — |
| North Platte (NE) | 88 | — |
| North Suburban (IL) | 80 | 82 |
| Northern Virginia (VA) | 82 | 78 |
| Oakland (CA) | 82 | 85 |
| Oklahoma City (OK) | 87 | 85 |
| Omaha (NE) | 88 | 92 |
| Orlando (FL) | 89 | 89 |
| Paterson (NJ) | 86 | — |
| Pensacola (FL) | 85 | — |
| Peoria (IL) | 90 | — |
| Philadelphia (PA) | 80 | 70 |
| Phoenix (AZ) | 88 | 88 |
| Pittsburgh (PA) | 87 | 83 |
| Portland (ME) | 88 | 88 |
| Portland (OR) | 90 | 88 |
| Poughkeepsie (NY) | 87 | — |
| Providence (RI) | 92 | 84 |
| Queens (NY) | 72 | 79 |
| Raleigh (NC) | 88 | — |
| Rapid City (SD) | 85 | — |
| Reno (NV) | 84 | — |
| Richmond (VA) | 86 | 88 |
| Roanoke (VA) | 88 | — |
| Rochester (NY) | 91 | — |
| Rockford (IL) | 91 | — |
| Royal Oak (MI) | 88 | 73 |
| Sacramento (CA) | 90 | 88 |
| Salt Lake City (UT) | 91 | 87 |
| San Antonio (TX) | 88 | 85 |
| San Bernardino (CA) | 84 | — |

| Local Performance | CSI | EXFC |
|---|---|---|
| San Diego (CA) | 90 | 89 |
| San Francisco (CA) | 81 | 83 |
| San Jose (CA) | 87 | 85 |
| San Juan (PR) | — | 66 |
| Santa Ana (CA) | 90 | 87 |
| Santa Barbara (CA) | 88 | — |
| Savannah (GA) | 81 | — |
| Seattle (WA) | 91 | 89 |
| Shreveport (LA) | 89 | — |
| Sioux Falls (SD) | 87 | 88 |
| South Jersey (NJ) | 86 | 72 |
| South Suburban (IL) | 81 | 85 |
| Southeastern (PA) | 84 | — |
| Southern Maryland (MD) | 77 | 73 |
| Spokane (WA) | 88 | 90 |
| Springfield (IL) | 89 | — |
| Springfield (MA) | 95 | 85 |
| Springfield (MO) | 83 | — |
| St Louis (MO) | 83 | 81 |
| St Paul (MN) | 90 | 83 |
| Stamford (CT) | 89 | — |
| Stockton (CA) | 87 | — |
| Suburban Maryland (MD) | 80 | — |
| Syracuse (NY) | 90 | — |
| Tacoma (WA) | 90 | — |
| Tampa (FL) | 88 | 87 |
| Terre Haute (IN) | 86 | — |
| Toledo (OH) | 88 | — |
| Topeka (KS) | 89 | — |
| Trenton (NJ) | 88 | — |
| Tucson (AZ) | 88 | 84 |
| Tulsa (OK) | 87 | 87 |
| Tupelo (MS) | 86 | — |
| Tyler (TX) | 86 | — |
| Van Nuys (CA) | 86 | 85 |
| Virgin Islands (VI) | — | 66 |
| Washington (DC) | 67 | 70 |
| West Palm Beach (FL) | 86 | — |
| Westchester (NY) | 80 | 81 |
| White River Junction (VT) | 92 | — |
| Wichita (KS) | 90 | 88 |
| Wilmington (DE) | 87 | — |
| Worcester (MA) | 93 | — |
| Youngstown (OH) | 90 | — |

Mr. HOYER. That will be part of our hearing three weeks from now. We will want to go over those statistics because that will be, I think, some hard evidence on what progress we are making.

METRO AREA STAFFING

General or Mr. Pankey, how many employees did we have prior to the buyout in the regions we are now discussing, that is, the capitol region and the Northern Virginia region? Do you know that?

Mr. RUNYON. I personally don't have that data.

Mr. HOYER. Could you provide that for us?

Mr. PANKEY. Sure we could.

[The information follows:]

As of July 16, 1992, the total employee complement (career and non-career) in the Capital and Northern Virginia Districts was 20,438. As of October 14, 1994, the complement for those districts was 21,022.

SOUTHERN MARYLAND STAFFING

Mr. HOYER. The reason I ask that, in going through, Mr. Pankey, your testimony, I was—just adding up the numbers of people we have hired back. One of the assertions made at the last hearing was that we have reduced very dramatically personnel and as a result of that reduction, we now have to hire back.

In terms of your reference, Mr. Pankey, to staffing, 289 people in Washington, D.C., in Baltimore, 202 people, in Northern Virginia, 90 people, and Northern Virginia temporaries to be hired, 445. I don't see southern Maryland referenced there.

Can you give me the southern Maryland statistics?

Mr. PANKEY. One of the things that we probably need to clear up for you, that——

Mr. HOYER. Excuse me. I apologize for that. You do reference an additional 60 mail handlers in the southern Maryland plant. I don't know whether the 179 new letter carriers in the D.C. area covers the Capitol region or not.

Mr. PANKEY. That covers the Capitol cluster and that includes southern Maryland.

Mr. HOYER. All right. Can you break that down between Washington, D.C. and southern Maryland?

Mr. PANKEY. I will ask Mr. Donahoe, who is the district manager for the Capitol cluster, to give you that breakdown.

Mr. DONAHOE. Mr. Chairman, of the 179 letter carriers hired, we hired approximately 75 new carriers in Washington, D.C. Now, the remainder of those letter carriers were hired as replacements for vacant positions in Washington, D.C., Hyattsville, Bowie, Maryland, in the larger offices and in some of the smaller offices, like Leonardtown, La Plata. I don't have the exact numbers with me, but I can provide you that information.

Mr. HOYER. Thank you very much. If you can provide that, that would be useful for the record.

[The information follows:]

Since July 1994, there have been 168 carriers hired in Washington, D.C. and 55 carriers hired in southern Maryland.

Mr. RUNYON. Chairman Hoyer, could I speak on numbers?

Mr. HOYER. Certainly.

POSTAL SERVICE BUYOUT

Mr. RUNYON. This is going to be on a larger scale than what you are asking for, but I would like to address that problem we are talking about of having people leave and then having to hire people back.

We felt that the best way to have our force reduced as we downsized in the area of overhead was to allow people to leave who wanted to leave, and we offered that opportunity to all employees except engineering maintenance people, rural letter carriers, and the Inspection Service department. We didn't allow it in those areas.

We looked at what type of a pay out that we would have to—or buyout that we would have to make in order to get the number of people that we thought we needed to have, and it is rather difficult to estimate how many people are going to accept what kind of a payment or to take their retirement on time or early, and so we looked at three months, six months, and one year.

Three months, the indication was that we would have about 15,000 people who would take that option. At a year, it looked like it would be about 90,000 people, and we had 30,000 positions we really wanted to reduce. We had at six months, it was 40,000 people. That was our estimate.

Our estimate was wrong. Actually 48,000 people took that opportunity. Had we known that was going to happen that way, we could have maybe offered five months or four-and-a-half months and something else and fine tuned it, but it is rather difficult when you are talking to some 700,000 people and what they might do under certain circumstances. So that is how we got into that position.

Now, the fact is, a lot of letter carriers and clerks did leave and we did have to replace them, but that has been done. That has already been done. The replacements we are talking about now really don't have anything to do with that problem at that time. That is behind us.

What has happened to us now, since that time, is that our mail volume has increased by 8 billion pieces and our delivery points have increased by 2.5 million locations. We have to have more letter carriers to take mail to 2.5 million more places, so we have to hire people. We have to have more people to process 8 billion more letters per year.

So that is the reason we are hiring those people. The facts are that we have hired back 15,000 people out of 50,000 that would have been required to actually handle that business, and the rest of that has been gained through efficiencies. So there are two different things here that cause us to hire people.

Mr. HOYER. Let me see if I understand, General. What you are saying is that you would have had to hire $x$ number of people for the increased load, business load that you have—

Mr. RUNYON. Yes.

Mr. HOYER. [contining]. Irrespective of other personnel actions?

Mr. RUNYON. Yes.

Mr. HOYER. I understand that. You also indicate you had to backfill letter carriers. You may not have the figures now, but if

you would please provide for the committee for the record the—we started at a base number, whether that is in the 700's or 800's, 1,000 employees.

Mr. RUNYON. Right.

[The information follows:]

We cannot determine from national statistics specifically whether employees were hired because of mail volume and population growth, or as replacement hiring. However, the hiring statistics for the 6 month period following the buyout can be viewed as a period when a substantial amount of the hiring was for replacement purposes. During the period from January 3, 1993 to June 30, 1993 a total of 11,598 bargaining unit employees were hired nationwide, of which 1,569 were city letter carriers.

Mr. HOYER. You have a natural attrition, I presume, of retirements and quits, voluntary quits during the course of any one month. You then have the buyouts, the reduction in force, voluntary. You then have the rehires to fill backfill slots.

You then have the appreciation of employees for additional service requirements. Now, what net does that leave you approximately, if you know, at this time? Are we down, up, about the same? Where are we?

Mr. RUNYON. We are up from where we were when we started in July, or in 1992. We are up.

Mr. HOYER. So that, notwithstanding the 48,000 reduction, we have an appreciation of numbers of personnel above 48,000?

Mr. RUNYON. The 48,000 number is the number of people who elected to take the early out. Once we offered it, then we had to let people go.

Mr. HOYER. I understand.

Mr. RUNYON. We didn't want that many to go, but they did. We had to replace them. Our net on that was supposed to be 30,000. So we would, under any condition, we would have had to hire back 18,000 of those people immediately when they left to replace them.

Now one thing, you mentioned attrition. One thing I have been most surprised about in this job is that the attrition of postal employees is the lowest I have ever seen anywhere. Postal jobs are very good jobs, and when people get them, they do not leave them, and so we don't have all that much attrition. It is down to 1 percent or below.

Mr. HOYER. We will—that is a very low attrition rate for any enterprise, 1 percent, and we will look at that as well, and it does speak well for jobs in the Postal Service.

POSTAL SERVICE DEFICIT

Let me ask you a question about the budget itself. You indicated that the deficit was down, the projected deficit of over $2 billion down to $1.3 billion, in that ballpark; is that correct?

Mr. RUNYON. Yes.

Mr. HOYER. How was that effected? How did we reduce the deficit?

Mr. RUNYON. Well, first we need to talk about deficit. That was our budget, to lose $1.3 billion this year. That was our budget, and the way we got there is by going into the fourth year without an increase in rates.

The way the system normally works is that you lose money in a year, at the end—the third year of a rate cycle, the Postal Service

always loses money. That is the way it is set up. You have a three-year rate cycle.

The first year of the cycle you make money, supposed to make money. The second year, you are supposed to break even, and the third year, you are supposed to lose money. The system is designed that way. It is not a good system because people don't understand why you are losing money. Well, the plan was to lose money. We need to change the system somewhat. So that is the way it was.

Now, in 1992, the plan was to lose $2.2 billion from operations in 1992. We didn't do that. We lost roughly $318 million, I think, which was a result of—I think it was revenue forgone in 1993 that we didn't get that year, but we broke even in 1992 from operations. There were some other things that caused us to have a loss, but not from operations, which is what we do for a living, the operation part.

In 19——

Mr. HOYER. To clarify that, so the public understands, what you are saying is that the Congress underfunded revenue forgone to make our budget look better, but the Postal Service budget look worse.

Mr. RUNYON. Yes, sir.

Mr. HOYER. The Congress and the President didn't do the right thing on that.

Mr. RUNYON. We also had some OBRA payments that take money from us too. We funded, I don't know the total number now, but it is roughly $8 billion by now in the OBRA payments that we have made.

But the fact is that in order to take the fourth year with no increase in rates, which by the way saves the American public, you and every person who uses the mail, $14 billion that would have been taken out of their pockets and put in the Postal Service's pockets had we raised the rates in 1994. We didn't do that. We didn't raise the rates to 35 cents, which is what would have happened under normal circumstances. So we didn't do that. So we didn't have a profit in 1994. We had a $1.3 billion loss.

That loss was predicted back in 1992 to be $3.7 billion. Now, about six months ago, we had a lot of people who worked with the Postal Service and write about the Postal Service, that said we are going to lose $2.4 billion.

Mr. HOYER. General, one of the matters that has come out in discussions, unrelated to the report that we have received, is that there has been a $700 million cut in nonpersonnel cost; due to the operating deficit.

Is that correct? And if so, has it had an impact on service?

Mr. RUNYON. Well, I would have to go back and look at the $700 million that you are talking about, but nonoperational costs are things like travel, materials, and things of that nature, which don't necessarily——

Mr. HOYER. Nonpersonnel costs.

Mr. RUNYON. Which don't necessarily have an effect on service.

[The information follows:]

As part of the overhead reduction, we estimated that we would have a $100 million savings in Fiscal Year 1993 in non-personnel costs associated with positions that were reduced. We believe we realized those savings. Beyond the non-personnel

costs associated with the overhead reduction, which had no impact on service, there was no reduction in non-personnel costs. In fact, non-personnel costs increased in 1993 over 1992.

Mr. HOYER. I have got some other questions along that line, but I have taken too long and I want to yield to Mr. Lightfoot, and I will get back to those questions as they relate to automation and other matters.

Mr. Lightfoot.

EFFECT OF RESTRUCTURING

Mr. LIGHTFOOT. Thank you, Mr. Chairman. There has been some talk this morning about the restructuring and so on that the Postal Service went through back in 1992.

Had that not happened, had we just continued down the road we were on, how would you characterize where we would be today as far as the Postal Service is concerned? Would you care to comment on what would happen if we would not have done the restructuring?

Mr. RUNYON. Had we just done business as usual with no changes being made, we would have lost $2.2 billion more in 1993. We would have had rates increase in January of this year to 35 cents. We would be paying 35 cents for stamps today.

Our volumes would be down instead of up because when you go up on a rate like that, the people who mail 70 percent of our mail start looking for other ways to get their business message out to the public and they would have taken it out of the mail. So we would have had volumes going down.

Instead of our volumes growing 8 billion pieces, we might have lost 8 billion pieces and that would be a tremendous swing, and I think probably today we would be sitting here thinking, well, what are we going to do about the rates because 35 cents sounded good at the time, may not take us through the full three-year cycle. We may have to go back for a rate increase after two years because of the declining volume.

We can raise our prices so high that we drive away our customers. There is a certain elasticity to the mail for uses other than the mini-mail we call that people write to each other and pay bills, what they have to do, things like that. They are mandatory, you have got to do them, no matter what it costs, although I think that with the electronic superhighway coming in, people may start figuring out how to do it without sending mail under those conditions, so we would be in a situation where we are trying to figure out how to keep up as opposed to being ahead of the game, as we are now.

The 10.3-percent increase that are asking for for 1995 is two percentage points below inflation. The 35-cent stamp, which would be a 6-cent increase, would have been be a 20-percent increase that we would have put in place January of this past year, and that would have driven business away and we would be looking at a very sad picture right at this minute.

Right now we think we have got a very good picture. We have got a growing economy from the standpoint of the mail system is concerned. People are using the mail in increasing quantities. We expect the largest Christmas season this year that we have ever

had because of our rates, and I think it wouldn't have been a very good picture had we just let business go on as usual.

Businesses—when I talk of the Postal Service as a business, because we are, we have to make our own income. We don't get money from anybody else, just for the work we do, and if you don't make changes in business and stay up with what is going on in the business you are in, you are going to go out of business.

MAIL VOLUME INCREASES

Mr. LIGHTFOOT. You mentioned 8 billion new pieces and, what, 2.5 million new addresses. Why did that happen? I mean, that sounds like it is good news.

Mr. RUNYON. It happened because the people who do that business saw the steps that we were taking, saw that we were trying to change the Postal Service to be more business-like and competitive and they stayed with us. They would have left us had we just been kind of muddling along the way we were.

Mr. LIGHTFOOT. Is this in the area of business mailings or——

Mr. RUNYON. Yes, sir. In the area of business mail, business mail is about 75 percent of the mail that we deliver.

Mr. LIGHTFOOT. This would be businesses prospecting for customers, that type of thing.

Mr. RUNYON. Yes. That is a large part of it.

NATIONWIDE SERVICE IMPROVEMENT

Mr. LIGHTFOOT. At the last hearing, I gave you a list of difficulties that people had had out in our area with delivery. With the focus that has been put on the Washington D.C. area, that has been on Chicago, what are you doing as far as nationwide service is concerned? Are we focusing just on these two highlighted trouble spots——

Mr. RUNYON. Oh, no.

Mr. LIGHTFOOT [continuing]. Or what are you doing nationwide?

Mr. RUNYON. Nationwide we are doing the same kinds of things we are doing in Washington and Chicago. We are going back and looking at how we are performing our service.

Nationwide, 85 percent of the people, and this again is an average, 85 percent of the people think that we are doing a very good job nationwide, but we are going into cities like New York, which is another area that is a very difficult area to handle. It is an area that people also need their mail and need it very rapidly because of all the financial transactions that take place in New York City. We have to really, you know, pay attention to get that done right.

And the infrastructure in New York and Chicago and the larger cities like that make it difficult, because when we need to be moving the mail, that is when you can't move in traffic, which is early in the morning and late in the afternoon, and we are trying to get the mail from one place to another and we run into problems. So we have that to deal with.

If the airport shuts down in New York City, we have a serious problem with the mail. But, to answer your question specifically, we are looking at all of our post offices the same way we are looking here. We are making improvements and we intend to make continuous improvements.

We are not going to make a big outstanding discovery and all of a sudden move the points, 10 points or 15 points. We aren't going to do that. I don't think it is possible. But we are making continuous improvement and we intend to continue to do that.

POSTAL PRODUCTIVITY

Mr. LIGHTFOOT. The Chairman asked for some statistics a little bit earlier, which I think will be helpful to determine what progress has been made. An additional statistic, and perhaps you don't even have this, but I would assume that you might, do you do any analysis as to the number of pieces an individual employee handles or something of that nature to measure the efficiency of your work force?

Mr. RUNYON. I would like to let——

Mr. LIGHTFOOT. Do you have that kind of statistic?

Mr. RUNYON. Let Henry answer that question. My quick answer would be yes, but I think he has more details.

Mr. PANKEY. Yes, we do. We have indicators both in our processing plant in terms of what individuals do and also in our delivery units in terms of what they do. In some cases, it is linear footage, sometimes it is pieces per hour, but we do have the indicators.

We also monitor our equipment in terms of how they are performing. Are they giving us what they were—what the objectives are of the organization or not? So we do have those type indicators.

[The information follows:]

The Postal Service uses a productivity measurement that takes into account the effects of all the factors of production, not just labor. The measurement, Total Factor Productivity (TFP), includes factors such as the use of mechanized and automated equipment, growth in the delivery network, facilities development, and presorted/prebarcoded mail volumes. A comparable measure in the private sector is the Multifactor Productivity (MFP) for the private nonfarm sector compiled by the Bureau of Labor Statistics.

The Postal Service experienced a 3.8 percent improvement in TFP for 1993, which represents the best achievement in 20 years. The TFP has not been calculated for 1994.

EMPLOYEE MORALE

Mr. LIGHTFOOT. Last question. We discussed it a little bit at the last hearing, but how would you characterize the attitude of the rank and file postal employee today? Good, bad, improved?

Mr. RUNYON. I would categorize it, taking the whole postal service, as good. We have had a survey made after we did the restructuring, and the survey that we got there said that the employees were more satisfied after the restructuring than they were before. So I think that we have got good morale.

Yes, we have got some people that aren't happy. We have got some middle management that is not happy because when you cut back on the bureaucracy and people's jobs change and they don't maybe have as much responsibility as they had before, then they are not totally happy with that.

We did, though, keep the people's rate and pay the same when we made those changes. That is something new to me in government that you don't do in private industry.

Mr. LIGHTFOOT. Well, you are trying to keep, what, three-quarters of 1 million people happy and each of us has, what, 500,000? Can't do it. Can't keep them happy all the time.

Thank you, General. Thank you, Mr. Chairman.

Mr. HOYER. If I might do a follow-up on that question with reference to personnel. When Congressman Wynn and I visited your postal facility in Capitol Heights, there was an employee there who got some TV time, as you may recall, I forget her name off the top of my head, and she indicated that she had been, in effect, idle for substantial numbers of months and that she was one of a large—relatively large—number across the country for whom positions had not been found and who were being paid essentially to do nothing.

Did you have an opportunity to see that? And if so, did you review that situation and situations like it, and where do we stand with reference to that problem?

Mr. RUNYON. My—the comments that I heard about that is that we really don't have anyone that is totally idle. They may not be doing the kind of work that they would like to be doing. We had, it was maybe around 300 people in the United States that we had not placed on a permanent job.

Now, that was a result of our not wanting anybody to leave the Postal Service unless they really wanted to leave, and we were trying to find places for those people and sooner or later we will have to give those people an assignment and expect them to go to that assignment.

We are trying to not do that because the assignment might be out of their living radius and we are trying to not do that, but we may be forced to do that, especially now that the Merit System Protection Board said we ran a RIF. So we have to go and look at that again. There may be some results from that that are not the most pleasant in the world.

Mr. HOYER. General, with respect to that, whoever is in charge of that, I would like a specific, if you could deal with that particular case, we have her name.

Mr. RUNYON. You want to answer that question now.

Mr. DONAHOE. I can answer now.

Mr. HOYER. Mr. Donahoe.

Mr. DONAHOE. Sure. Yes, Mr. Chairman.

In the case of the transitional center employees that were at Southern Maryland, we have given each person an assignment. There were a few people who were physically unable to perform certain assignments and we have worked out some arrangements with headquarters for them. So the person—all the people who were at the Southern Maryland facility are gainfully employed now.

Mr. HOYER. And is that true across the country?

Mr. DONAHOE. I can't speak for the rest of the country.

Mr. HOYER. All right.

General, this particular employee asserted that she was not alone, nor was capital division alone in this circumstance.

Mr. RUNYON. I would be glad to provide those numbers to you.

[The information follows:]

There are 84 former transition center employees nationwide who did not accept a permanent assignment, all of whom are employed in detail assignments. Approximately 40 of those employees are located in the Washington, D.C. metropolitan area. The former transition center employee who was featured on a recent news report had been working in a detail assignment and currently is working for the Capital District Manager, helping to produce a video on service and in other communication areas.

Mr. HOYER. Mr. Olver.

Mr. OLVER. Thank you, Mr. Chairman.

Mr. Runyon, we—all of us depend upon the expeditious delivery of mail, and certainly this issue catches my attention because I at least hope that when I put things in the boxes here on Capitol Hill, that in an evening, that 36 hours later, they will be delivered back in the district in Massachusetts, and so whether that happens is of course of great concern.

POSTAL SERVICE BUYOUT

I am sort of curious about the process that has evolved into what was a very serious situation here in the D.C. area. You had—and these may seem like bleak questions, but you had said you had 48,000 people who took early retirement when that was offered and you had expected about 30,000, so you had——

Mr. RUNYON. Expected 40,000.

Mr. OLVER. Expected 40,000.

Mr. RUNYON. Yes.

Mr. OLVER. And you had 8,000, so there are 8,000 additional people that had taken retirement?

Mr. RUNYON. We expected 40,000 to take it. We had 30,000 positions we were going to eliminate and we knew we would have to deal with 10,000 hire-backs. We had 48,000 leave. So then we had to deal with 18,000 hire-backs.

Mr. OLVER. I see, okay. You were expecting 40,000, you were expecting to eliminate 30,000, so you were going to need then—you expected to have 10,000 hire-backs, but because 48,000 actually occurred, you ended up with 18,000 hire-backs. When did the buyout take effect, over what period? Is it completely——

Mr. RUNYON. Seems like it was October of 1992, sometime around that time.

Mr. OLVER. October 1992. And——

Mr. HOYER. To clarify that, that is the completion date of the buyout.

Mr. RUNYON. Yes. I need to clarify that for the record. That is my impression right now.

[The information follows:]

The original lump-sum buyout offer began August 17, 1992 and was scheduled to expire October 3, 1992. This deadline was extended to November 20, 1992. This extension applied to about 20,000 management employees and 500 craft employees. There was a further extension, to January 3, 1993, for employees who were eligible for optional retirement if they worked in critical areas, i.e., areas which could impact on service quality and continuity. Also, the January 3 extension was given to employees affected by Hurricane Andrew in the Miami, Florida area.

Mr. OLVER. The questions may then need clarification specifically, but then the hire-backs are the 18,000, when would those have been complete with training?

Mr. RUNYON. Well, that is difficult for me to answer sitting here, but I can get that for you for the record.

Mr. OLVER. I would like to see that for the record.

[The information follows:]

We cannot determine from national statistics specifically whether employees were hired because of mail volume and population growth, or as replacement hiring. However, the hiring statistics for the 6 month period following the buyout can be viewed as a period when a substantial amount of the hiring was for replacement purposes. During the period from January 3, 1993 to June 30, 1993 a total of 11,598 bargaining unit employees were hired nationwide.

Mr. OLVER. Were those skewed geographically? Were they peculiarly distributed, unusually distributed?

Mr. RUNYON. I don't know. It could have been that we had one area that a whole lot of people were at an age and a desire to leave the Postal Service——

METRO AREA STAFFING

Mr. OLVER. Did I understand correctly that in the D.C. area, the area that has been the subject of the hearings and difficulties, that the new hirings with 179 new letter carriers and other mail handlers, and so forth, does that represent 20 percent of the staffing in that area? Does that——

Mr. RUNYON. It doesn't—I don't think it does.

Mr. OLVER. I thought I heard someone say that it represented about a 20 percent increase in staffing in this area. Is that—would it represent an increase in staffing?

Mr. PANKEY. I am not sure if it is even close to 20 percent. In some cases, those people that we are bringing on are replacements for what we call transitional employees in our carrier work force, but we could get you a number for the record in terms of what that percentage actually represents.

[The information follows:]

As of July 16, 1992, the total employee complement (career and non-career) in the Capital and Northern Virginia Districts was 20,438. As of October 14, 1994, the complement for those districts was 21,022. The staffing increase during this period was 2.9 percent.

Mr. OLVER. I guess I am wondering how we get to a position where the personnel necessary for this—for the efficient movement of mail in this area got so skewed that we had a serious problem in the area, and it seems to be substantially removed from the time frame in which the major buyout and the rehirings occurred, and then results in the hiring of a lot of new personnel. It seems to me there is a certain lack of orderly process here if that should—if we should find that situation in such a severe situation by early this year.

Mr. RUNYON. Pat, could you address that?

Mr. DONAHOE. Sure. Congressman, I would like to answer that. The 179 letter carriers represents about 4 percent replacement.

Mr. OLVER. 4 percent.

Mr. DONAHOE. About 4 percent, and again, that was, as Mr. Pankey stated, not entirely new additions but replacement for people who would be coming off the rolls because their transitional employment date was expired.

In reference to the reaction and the reaction time between the buyout in 1992 and the hiring in 1994, a lot of that was also caused by the volume increases that we have experienced here. Over the last two years, we have seen 8 and 10 percent mail volume increases in a lot of our delivery units, which is a little higher than we have seen nationally. So we have gone in and adjusted routes and then required ourselves to hire some additional people in order to deliver that mail within an eight hour time frame versus the overtime that we had been experiencing here in the past.

Mr. OLVER. Well, you may wish to—Mr. Runyon, you may wish on the basis of questions that I have asked then, your understanding of them, to offer something specific about the phasing of these, because I am having—I am trying to understand how we got into this situation here and I haven't been able to pick it up either in the report or the—in the terms that I am asking.

CONTENTS OF MAIL STREAM

Let me ask a different thing. The—what percentage of the Postal Service's priority mail classes carry priority above first class?

Mr. RUNYON. I honestly don't know. I can supply that for you, but I don't know the exact percent.

[The information follows:]

| | Percentage. |
|---|---|
| FY 1994 (first three quarters): | |
| First-Class | 53.3 |
| Second-Class | 5.8 |
| Third-Class | 39.1 |
| Fourth-Class | .5 |
| Priority Mail | .4 |
| Express Mail | .03 |
| International | .5 |
| Other | .3 |
| Total | 100 |
| FY 1993: | |
| First-Class | 53.8 |
| Second-Class | 6.0 |
| Third-Class | 38.4 |
| Fourth-Class | .4 |
| Priority Mail | .4 |
| Express Mail | .03 |
| International | .5 |
| Other | .3 |
| Total | 100 |

Mr. OLVER. Okay. Well then, I am going to ask what percentage of it is first class. I was looking for what is priority, what is first class, and then what is the second and third.

Mr. RUNYON. I think for First Class, somewhere between 50 and 60 percent is First Class. I will supply that. We have several classes and I would be glad to supply that information for you by class.

Mr. OLVER. The question is probably a little off the subject of the hearing, but what—you must have some sense as a manager whether you are at break even or making a profit, given that I don't know which year in the cycle we are from what you described

of a three-year cycle which first year you make profit, the second you break even, and then you are planned to be in deficit.

Mr. RUNYON. Right.

Mr. OLVER. Which year are we, would you say?

Mr. RUNYON. The fourth year.

Mr. OLVER. All right. So we plan to be in deficit then. But I was trying to find out what—which of these classes in those categories, at least the three that I made, are contributing to the deficit and whether there is a profit being made on one of the classes but not on others or what.

Mr. RUNYON. Well, it is hard to say that any of them are contributing to the deficit because each one of them has to have income to it. We have to make income from that, and we do that. The classes——

Mr. OLVER. Do you make a profit on first class mail?

Mr. RUNYON. Yes.

Mr. OLVER. Are we making a profit on priority mail?

Mr. RUNYON. We have to have—all of our mail has to cover its cost and additional money.

Mr. OLVER. Then how do we get into a deficit.

Mr. RUNYON. Because additional money goes in to run the whole organization.

Mr. OLVER. Now, that one I don't understand. It seems to me you are an organization that delivers mail and——

Mr. RUNYON. We have a cost of delivering mail, and that is our delivery cost, and that is an attributable cost which goes to the handling of that mail piece and we measure that very closely, we have to. Because in order to get our rates changed, we have to go to the Postal Rate Commission, tell them what our attributable costs are, then in addition to that there is an organizational cost.

Mr. OLVER. And that doesn't get costed out to the different classes of mail in some way?

Mr. RUNYON. Yes, it does. It does.

Mr. OLVER. Then, how can you be making a deficit if all the pieces must be at cost or better?

Mr. RUNYON. Well, over a three-year cycle, we don't make a deficit. We break even. But you see, any third year we are going to lose money because in the three-year period, we have had economic increases in wages, materials, transportation, all of those things, that the cost of doing business goes up.

We don't raise our prices every time the cost of doing business goes up. We raise our prices when we go to the PRC with a rate case, and so as we get in further down the line, the economic increases overtake us and then we don't make a profit.

Mr. OLVER. Thank you, Mr. Chairman.

Mr. HOYER. It occurs to me that one of the ways of explaining it or understanding it might be that you operate on a three-year cycle and within the cycle you break even.

Mr. RUNYON. Right.

Mr. HOYER. That is what you are saying, the first year you make more and you lose in the third year because you don't increase the prices of your product as you would, perhaps, on a normal business cycle.

Mr. RUNYON. And in a normal three-year cycle, as you go into the fourth year, we would have lost $3.7 billion this year.

Mr. HOYER. Lest we lose sight of what I think is the ball, whether you are making money or losing money, we are not delivering the mail on time. You, I think, raise a good point. But as I explain that economic cycle, Mr. Moran spoke of it very forcefully—more forcefully than I would have, and using rhetoric I would not have used. But the fact of the matter is, what we are really concerned about is for whatever reasons, and we want to get to the bottom of this and the next hearing I think is going to be a very useful hearing and a more specific hearing, we are not delivering the mail in some regions on time whether we are making, breaking even or losing money.

Mrs. Morella.

METRO AREA SERVICE PERFORMANCE

Mrs. MORELLA. I noticed, Mr. Postmaster General, you gave a great speech before the National Postal Forum, and in reading it, you are very upbeat about where we are going, how we are going to be meeting the new challenges and making money and all. And I was interested in terms of technology or even reaching out to next month to begin reading utility meters from postal vehicles in Binghamton, New York, and that ultimately you can see that the postal system might even collect information from the power company when you deliver the mail and even make some revenue from it. I find that very foresighted, be interested in what you know, when you see more of that happening.

But then I get back to my original comments that our immediate concern is the delivery of the mail and the first class mail in particular, and I was looking at your most recent sheet here that I have on service reviews. I noticed that from August 22nd to September 2nd in the Washington area, with the 4,769 test letter mailings, during that first week, 54 percent of the mailings did not meet the two-day service standard, 54 percent.

In the second week, there was an improvement; 37 percent did not meet the standard.

I would ask you what your objective is because I am not satisfied with 37 percent not making it, let alone 54 percent not making it. And yet there seems to be a kind of pride in the fact that only 37 percent didn't make it. As it goes on, it says a barrier to the higher service performance is getting the mail into post office boxes by a scheduled time in the operating plan and then also failing to take mail from the hot case before going to the street because of delay of mail left in a vehicle.

I would like you to comment on that, as it indicates the kind of problem we are talking about.

Mr. PANKEY. Yes, ma'am.

We have looked at those reports and the most recent report shows us moving up into the 80 percent range of on-time delivery. What they talk about, the box section, the test letter was going to a box section in one of the major plants, Brentwood, Southern, or Northern Virginia, and the mail was not getting into those boxes by 9 o'clock but by later on in that day, between around 12 o'clock and 3 o'clock in the afternoon, we were averaging somewhere up

in the 80, 90 percent. So we have taken a look at those operations and we have fixed them, and the most current reports say that we are doing very well. We are now up into the 90 percent range of on-time delivery.

Mrs. MORELLA. So in other words, from 37 percent not reaching, you will go to 9, 10 percent?

Mr. PANKEY. That is our goal.

Mrs. MORELLA. That is really what you are hoping to do, and you expect that when you meet with us next time, that you will be able to tell us that this is what has happened.

Mr. RUNYON. Not in three weeks.

Mrs. MORELLA. Not in three weeks but in a very short period of time.

Mr. PANKEY. We expect continuous improvement.

Mrs. MORELLA. I also notice when I was looking at that hot case mail that there are quite a few offices in the Capital District that are in my district, that have not been clearing the hot case mail. Can you explain that to me? I have Bethesda, Chevy Chase, Silver Spring, Gaithersburg, Diamond Farms, Kensington.

Mr. PANKEY. Yes. The hot case mail is mail and in a carrier unit just before the carrier hits the street, he goes over to that case and clears the mail. And in some cases, some of our carriers have been missing that case, but we put procedures in place now so that we have ensured that they are hitting the case as they go out the door to grab the mail for delivery for that day on their routes.

Mrs. MORELLA. So in other words, we will also expect to see very few offices listed as you do the next report in that regard?

Mr. Runyon, do you want to comment on your engagement in this new technology? It is not diverting resources, is it, from mail delivery and personnel and the vision?

Mr. RUNYON. No, it is not.

By the way, I would like to enter that speech in the record that she is referring to. It has a lot of information in there about what we are doing.

Mr. HOYER. Without objection, we will enter it into the record.

[The information follows:]

Remarks By

**Marvin Runyon**

Postmaster General and Chief Executive Officer
U.S. Postal Service

At the

National Postal Forum Washington

Washington, DC
September 26, 1994

Good afternoon. Welcome to the National Postal Forum in Washington, D.C. We are glad you are here, the more than 3,000 of you here in person, and the many thousands more who will see this message across the country.

All of us have one important thing in common -- we value and believe in the mail, and we want to get the most out of this powerful, personal, and pervasive communications tool.

This afternoon, I want to examine the truth of that opening statement -- "Nothing moves people like the mail, and no one moves the mail like the U.S. Postal Service." I want to look at where we are today as a communications industry, and where we intend to be in the days and years ahead.

Our Mandate

The Postal Service is an unusual creature. On the one hand, it is a government agency, filling an important role for our nation, ensuring that every American has the access and opportunity to communicate by mail.

On the other hand, it is a business, competing with other companies and methods of communication, paying its own way from product revenues.

By any measure, public or private sector, that is a tall order. Some would call it impossible, providing hard copy communications service to anyone, anywhere . . . with quality that is high and prices that are low and competitive.

But that is what we do. We deliver the impossible for the American people six days a week.

Perceptions and Reality

There has been criticism of late -- a lot of it deserved, but some of it overstated and sensationalized. There are people who would have us believe that the future is growing dim for our industry and the Postal Service itself.

The postal "prophets of doom" are once again predicting the demise of the Postal Service and the end of the mail. You know the people I am talking about -- the self-appointed experts who cry out that costs are skyrocketing, service is plummeting, and the sky is falling all around us.

They have decided that paper mail is history, any minute now to be zapped by technology and electronic communications. They would have you believe that the Postal Service is "obsolete," "a dinosaur," and "a disaster." Rhetoric like that may make headlines, shake up stock prices, and even win a few votes. But history shows it simply is not true.

When Morse invented the telegraph in the 1830s, the "prophets of doom" said that was the end of the mail. Over the next 40 years, mail volume grew more than 1,300 percent.

When Bell introduced the telephone in 1876, the "prophets of doom" said that was the end of the mail. Over the next quarter century, mail volume grew more than 1,100 percent.

In 1944, when Harvard and IBM invented the first digital computer, "prophets of doom" said that was the end of the mail. Over the next 25 years, volume grew another 235 percent.

In 1975, as faxes and data transfer were taking hold, a report prepared for Congress predicted, "Within 20 years . . . it appears likely that relatively few people will be communicating by letter." Time is about up on that prediction. Meanwhile, volume has grown another 200 percent, to more than 177 billion pieces a year. And the end of the mail is nowhere in sight.

The Power of the Mail

When I look at us today -- at the mail and the U.S. Postal Service -- I see strength, progress, and great potential. I am encouraged by what I see.

First, there is the sheer power of the mail. It works. It is intimate and direct. It lasts, holding its meaning and value long after other encounters have been forgotten. And it hits the mark. Mail reaches its target audience, conveys your special message, and generates a response. Pick any one of our products and services, they all pay off. They keep millions of businesses in business.

Ted Russell of Time Incorporated says, "The United States Postal Service is Time's single-largest supplier. Our business depends on the Postal Service." And Richard Wolter, the Chairman and CEO of Columbia House, puts it this way -- "If Advertising Mail didn't exist, we wouldn't exist."

When I look at us today, I also see the strength of the U.S. Postal Service, an organization that is one of the great institutions of American life.

We were America's first "information superhighway," linking distant communities by letter across trails and dusty roads. Over the decades the Postal Service has helped make our nation an economic world power. We are the strong and enduring thread that holds the fabric of our nation together. Our dedicated men and women have never wavered in the pursuit of their historic mission to deliver the mail. And we never will.

I am proud to be a part of this organization because it has the courage and the commitment to make change happen.

In July 1992, you told us you were tired of red tape, bureaucracy, rising costs, and poor service. I pledged that we would do business as "unusual," that we would reinvent the Postal Service, take risks, and work to get better each day, every day.

We have come a remarkably long way together in just two years. We have accomplished some things that many thought we would never even try. There have been problems and disappointments along the way. That is part of making dramatic change happen. But we have the courage to acknowledge our mistakes, the will to fix them, and the vision to apply what we have learned to achieving future success.

Actions Under Way

The service initiatives being implemented in our major cities are taking hold, and we are firm in our commitment to continuous improvement. Nationwide, we are gearing up to get your critical holiday mailings delivered. And we are going to do it.

Two years ago at this time, we faced a critical service challenge -- to provide top quality service during the fall mailing season, while at the same time undertaking a major restructuring. We got the job done, and provided what a lot of people said was the best holiday service ever.

Last year we let our guard down. We did not do as well planning and preparing to meet your needs. And it showed in the quality of our work.

This year, we have a solid service plan in place, a plan that a number of you helped us develop. As Bill Henderson told you earlier today, we have the resources and equipment lined up, and we are ready to deliver for you. Bill and the Area Vice Presidents will produce the results you and all postal customers expect this fall.

Financial Success

Financially, we have gotten the job done this year. The "prophets of doom" predicted a 35-cent stamp in 1994. But the price of postage is still 29 cents, a record four years of stable postage rates. And that is saving the American people $14 billion.

The "prophets of doom" said we would have to file a big rate case. But instead we put forward a 10.3-percent across-the-board proposal, the smallest increase asked for in a quarter-century, and two percentage points below inflation. We stand firmly behind our proposal. We intend to fight for it. We are going to make it work.

And we have shown that we can do it. The independent auditors are still going over the books, but I am proud to say that the numbers show we will beat our budget in 1994. Revenue is up, and expenses are down. Bottom line, we will have achieved the toughest, boldest, most aggressive budget ever set by this organization. We will finish the year a billion dollars better than the "prophets of doom" predicted only months ago. We said we would do it, and we delivered.

America values and believes in its Postal Service. Contrary to the headlines and sound bites, our nation of customers gives us high marks for overall service and satisfaction.

Customer Feedback

Here is what I am hearing from our customers. Paul Costello of ADP says, "We believe in the mail and what you're doing."

Vince Giuliano of ADVO says, "There's no doubt about the power of the mailbox or the Postal Service's ability to deliver. You put a message in the mailbox, it gets noticed, and it gets results."

And Joseph Ball of the Florida Gift Fruit Shippers says, "When a letter carrier delivers a parcel to your door, you not only get the merchandise you ordered, you get careful handling, prompt and courteous delivery, and reasonable rates. That's a powerful combination."

Belief . . . power . . . care and courtesy . . . results . . . that is how you describe the mail and the Postal Service. That is why you and other customers rate the Postal Service as the most relevant consumer brand in America. That is why 80 percent of you trust paying bills by mail more than by computer. That is why so many of you are working with us shoulder to shoulder to make sure we succeed.

Looking Ahead

Looking at our track record, the changes we have made, our talent, resources and strength of will, I feel good about tomorrow.

In the days and years ahead, I see important new changes taking place, faster and farther reaching than any changes we have made before.

The next generation of improvements in our technology is just around the corner. These changes will let us automate virtually all the mail. They will improve our readability and mail flow, and speed the timeliness and accuracy of our service.

Perhaps the most dramatic changes will come in the new products we will offer. We will make our processing systems "inter-operable." You will be able to tap into our information, see how operations are going in a particular location, schedule the arrival of your important mailing, and monitor its status. You will be able to anticipate your work flow, equipment needs, and hiring requirements, and so will we.

We are beginning to package our services, tailoring them to fit your specific communications needs. Here's an example.

By combining the speed of Priority Mail with the value of Advertising Mail, we have come up with a marriage of services that is helping one major mailer produce extraordinary response rates. Not so long ago, this kind of customer-focused solution would have gotten buried in the bureaucracy. Today, it is in the works.

Technology

As we continue to be the leader in hard copy communications, the Postal Service will also make an important contribution to the electronic network. The information superhighway will be built. It is inevitable, and it is for the good of the nation and the world. The Postal Service is working with the Administration, the Congress, and other companies to make it a reality.

We will fill our historic role of ensuring that everyone has access and opportunity to communicate. We will help make sure that electronic messages are just as authentic, private, and secure as paper ones. We have a lot of experience that can add value to this emerging infrastructure. And the new technology is already helping us do a better job at our basic business -- sorting and delivering your letters, publications, and merchandise.

Mail is power. Electronic communication is speed. Soon, we will deliver postal products that give the American people the best of both worlds -- hybrid services that blend hard copy and electronic communication. In the financial industry, we will read special bar codes printed on remittances and notify you electronically that the payments are en route. We will scan the images on Business Reply Cards, and pass that vital data along to you electronically in a matter of hours, ready for you to use to fulfill orders and make money. This technology is here, today, on display in the Exhibit Hall.

Next month, we will begin reading utility meters from postal vehicles as they navigate the streets of Binghamton, New York. One day, we may collect information for the power company as we deliver the mail, with the extra revenue helping us hold down the cost of postage.

Here at the Forum, you can see a research model of the "Service to the Citizen" kiosk. This unit was commissioned by the White House and the Congress. . . and developed by the Postal Service to provide all Americans with a gateway to the federal government. In the years ahead, I predict there will be kiosks in our lobbies . . . smart cards in America's pockets that are personal, private, and secure, and fast, easy access to information and services.

We will create third-party partnerships with other companies, maybe even with our competitors, that will make it easier for you to get your job done -- to fill orders, ship merchandise, and do business with your customers. We are establishing pilot programs in Florida. We are testing a new merchandise delivery service called Fastnet in Orlando. Customers who bring us Fastnet parcels for delivery there are getting overnight service citywide. We are also going to launch a full service electronic post office on Time-Warner's interactive network in December.

Emphasis on Value

In the midst of all these changes, there are some things you can count on to stay just the way they are. In the days and years ahead, we will continue to pursue consistent quality, competitive prices, and better service. We will further reduce and simplify our rules and regulations. We will continue to stand for value -- for quality service at economical prices. We will keep our costs below inflation, and continue to pay our own way. Yes, even in the 21st century, we won't spend your tax dollars.

The Support We Need

As we approach a new century, I see a future filled with promise. To get there, though, there are some things we have to do. Together, we must remind the nation that the United States needs a strong, progressive Postal Service . . . that the mail matters to every American. We must move forward with our agenda for change.

To deliver on the promise of tomorrow, we will need the partnership of our employees, unions, and management associations. Throughout our work force, we must focus our energies on working together to achieve a common goal -- satisfying every customer, making sure they get the best value for their postal dollar. This will take teamwork, accountability, commitment, and flexibility.

To deliver on the promise of tomorrow, we will need the active involvement of the Congress, the Postal Rate Commission, and the Administration. Together, we are laying the groundwork for the Postal Service of tomorrow. If we are to effectively serve our customers and succeed in competition with the private sector, we must be allowed to run our business using the best private sector management practices. There are some fundamental and urgent actions that are needed.

First, working with the Postal Rate Commission, we must streamline our price-setting policy so that we can become as responsive, progressive, and quick on our feet as our competitors.

Second, we must have the freedom to expand our services and create products that meet market demand -- and to do so when the market demands it. We must be allowed to turn customer needs into business opportunities.

Third, the Postmaster General must have the authority to manage the Postal Service and its people. And we must be able to reward those who excel and to deal effectively with those who don't.

Congress has asked us what it can do to help us do our job better. I look forward to working with them to help chart the future of the Postal Service. I will be consulting with the leadership of our House and Senate committees on these matters.

But our efforts to take an innovative and competitive Postal Service into the 21st century cannot stop there.

Soon, we intend to file a reclassification case with the Postal Rate Commission. It will be carefully prepared and well documented. It will inject new, innovative ideas into our pricing structure. And it will encourage businesses to partner with us to fully develop an automated mail stream by rewarding their efforts with cost savings.

These will be only the first steps on our path to regulatory change and innovation. Clearly other, more far-reaching, actions are necessary. We are committed to taking them. Together, we must move this vital national institution forward, and make it strong and competitive. With our partners in Congress and the PRC, I am confident that we are up to the challenge.

And finally, to deliver on the promise of tomorrow, we will need the support of business mailers and their trade associations, and the faith of the American people. You have a vested interest in the success of the Postal Service. Whether you came to this Forum to "network" for business and profits, or to find "smart solutions" for your mailing needs, I ask that you leave committed to keeping your Postal Service an innovative leader. Work with your local postal people to help us serve you better. Keep bringing us your business. And help others understand the vital importance of the mail and the continuing success of the Postal Service, today and in the years ahead.

I am committed to delivering this vision. Our primary focus will always be to help this nation communicate, to serve every customer in every community. It is a mission we accepted more than two centuries ago. We will deliver.

Nothing moves people like the mail, and no one moves the mail like the U.S. Postal Service!

Thank you very much.

# # # #

POSTAL SERVICE FUTURE

Mr. RUNYON. We are looking for how we are going to do business 5 years, 10 years from now, and one of the reasons that we are doing that is that we know for a fact that our financial and transaction mail has dropped 35 percent in the last 5 years. Now, that is business to business.

We expect it to drop at least that much in the next five years. That means that mail is going away from us because of fax, E-mail, electronic communications, that people can send checks and orders and what have you through the mail business to business. So we are losing mail there.

We are picking up mail, however, with business to customer and customer back to business. So we are picking up mail there, and that is how we have gained, even though we have lost in one class of mail, we have picked up enough in the other that we are 8 billion pieces higher. So we have to look at how is this electronic communication going to affect our mail, and do we need to be involved in that.

We are working with several Federal agencies right now to discuss with them how we can help them communicate with people because they are very concerned about this kind of a situation. They want to be able to have people have immediate, direct contact with their agency, and so together we are creating a kiosk for that, the administration has asked us to do that, putting in kiosks that will connect people to the Veterans Administration, social security, things like that.

We expect to have smart cards in place one of these days, where a person can go to one of these kiosks, insert a smart card and take their social security payment out and enter it on their smart card. So there are several things that we are doing in that regard.

We think it is necessary, we have to look ahead. Change is going to happen and we need to be with it so that we can provide the service that people need in communicating with each other in this country at the universal service for the uniform price, and we think we need to continue to do that to stay in business.

Mrs. MORELLA. I firmly believe you need to become more competitive and more efficient and look to the future in terms of technology, providing you just remember the bottom line, which is something that keeps people with the postal system, is the delivery.

APPROPRIATIONS COMMITTEE STAFF REPORT

Just one final question, which refers to your response to the report that this meeting is about. Something was quoted in the paper today in the Post which said something about you don't mind a report, as long as it is accurate.

Would you like to point out if you think there are any inaccuracies in the report?

Mr. RUNYON. Well, I have had time since 6 o'clock last night until this morning to analyze that report. There are some things that I think are not quite right and I think we need to have an opportunity to talk to you about that. That report was made and written without talking to me or to the people who are really run-

ning the Postal Service today, and that came as kind of a shock to me that it would happen like that. But it did, so we need to respond to that report. There are several things that we need to respond to.

Mr. HOYER. Mrs. Morella, perhaps you got in after I explained the situation. The Postmaster General and I have discussed this matter. He did receive the report late. Most of the Members received the report yesterday afternoon. We had the report. I didn't frankly read it until the day before that. So none of us have had it for a long enough period of time.

As a result of my discussions with the Postmaster General, I thought in fairness to the Postmaster General and to the Committee and in the interest of getting full information out, that we would allow the Postmaster General to review this report.

I intend to schedule a hearing during October. We are going to coordinate with as many Members as we can. We probably won't be in session at that point in time. I have talked to the Postmaster General briefly. In any event, I intend to have a hearing and we will go specifically through the report, through its specific assertions. I don't call them allegations, assertions, and that the Postmaster General will respond and his people to the specific—what you have just asked about, assertions in there as to why service is not operating as efficiently as we would all like it.

I believe the assertions in there are serious. They give great concern to me. I am sure they do to you, General.

The General has assured me that he is going to review it and he will have a written response to us prior to the hearing. We will have an opportunity to review that and then we will have a hearing on these matters.

Mrs. MORELLA. Thank you, Mr. Chairman, because I didn't see the report until this morning either and I would very much like to participate in that hearing, and I do hope Congress will be out of session by that time, Mr. Chairman. But I look forward to your response.

Thank you.

Mr. HOYER. You and 250 million Americans.

Mr. Visclosky.

CHICAGO SERVICE PERFORMANCE

Mr. VISCLOSKY. Thank you, Mr. Chairman.

General Runyon, thank you very much for being here. Just a couple of notes on the situation in Chicago, had a brief conversation with Mr. Yates this morning, and to look over the written responses to the questions that were raised back in July.

On page 89 and then again on 90, figures for the Chicago metropolitan area were cited for the second and third quarter on page 89. They were cited for first class, for overnight, two-day and three-day. And in each instance, it showed an improvement.

On the next page, you had two- to three-day delivery and other deliveries, again for the second and third quarters in 1994. The only reference I would make to the report that the investigative staff produced is that they went back to comparable quarters, third quarter 1993, fourth quarter, 1993. If you could for the record, for the Chicago area, again, for pages 89 and 90 that I am referencing

from the July 28th hearing, if you could provide those comparable statistics, because the ones that the Postal Service provided do certainly show an improvement, but clearly there was a dip in service because of the weather during the past winter. That would be the request I would make for the record, if I could.

Mr. RUNYON. Okay.

[The information follows:]

| | PQ I | PQ II | PQ III | PQ IV |
|---|---|---|---|---|
| Overnight: | | | | |
| Quarter: | | | | |
| FY93 | 79 | 77 | 82 | 77 |
| FY94 | 76 | 66 | 75 | 71 |
| Two-day: | | | | |
| Quarter: | | | | |
| FY93 | 68 | 63 | 71 | 71 |
| FY94 | 71 | 59 | 59 | 64 |
| Three-day: | | | | |
| Quarter: | | | | |
| FY93 | 73 | 66 | 82 | 79 |
| FY94 | 72 | 59 | 71 | 73 |

Mr. VISCLOSKY. Thank you, Mr. Chairman.

Mr. HOYER. Thank you.

Mrs. Norton.

MAIL SERVICE PERFORMANCE

Ms. NORTON. Thank you, Mr. Chairman. Thank you very much, Mr. Chairman.

Mr. Runyon, what I have been trying to understand throughout this crisis is what precisely is different, virtually unique about the District of Columbia compared with other large cities, and that—I can't—I don't think we can get to a remedy until we have the correct diagnosis. Even as if you went to your doctor and you say, I have a pain, he won't throw you a pill. He will say, let's ask you a lot of questions first. "Let's feel around and find out where you hurt and the rest of it."

Now, in trying to get at that, I note figures from other large cities. For example, in your August 20th to September 2nd test period, in the Bronx, New York—and I picked hard cities, I picked New York. It is a city I happened to live in for a while. It is the toughest city in America as far as I am concerned, was then, is now. Then I tried to pick some cities that are more like us, and then I picked a city that is kind of in between us, and this is all impressionistic, but, all right, we look at the Bronx, New York. I am not taking the whole of New York City, now; I take a borough, which is like a city, and during that time period, the 80 percent was delivered within two days.

Let's go to a kind of in-between city like Philadelphia, very much larger than the District, however. During that same time period, they were 72 percent.

Then you look at Baltimore. You would think that that would be virtually a comparable city. Indeed, we now are a part of the Washington–Baltimore region. It is comparable in size and in many other ways. And in Baltimore, their percentages of overnight on-

time delivery was 87 percent in that time period. So Baltimore is higher than the Bronx, higher than Philadelphia.

In that same time period, D.C. was only 46—only 46 percent of mailings in D.C. met the two-day service standard in this week. I am puzzled. I regard Washington as certainly easier to live in than the Bronx and Philadelphia, and even in Baltimore. I don't—I don't see anything about the way it is laid out. In fact, I think it is laid out more rationally, the streets and the avenues and everything by—everything by alphabet and by number.

Could you give me some, even if only your impressions, of why there would be such a distinct difference between comparable and more different cities, I would wager, and the District of Columbia?

Mr. RUNYON. Ms. Norton, it would be hard for me to go into detail on any one of those cities. I know that all of those cities have the infrastructure problems that we talk about. We need to get the mail in the morning. We need to get the mail in the afternoon. It is very important to us, and each of them have their own peculiarities in those cities.

I frankly cannot answer that question. I think someone who has worked the mail in those cities could better answer it, and I don't know.

Mr. Pankey came from New York. He came from—well, you were in the Bronx. You had the Bronx, so I would like for him to answer that question.

Ms. NORTON. Thank you.

Mr. PANKEY. In most of the major cities, the bigger problem is really the infrastructure and also how we deliver.

Ms. NORTON. The infrastructure is, I can tell you in the Bronx, in parts of the Bronx, is hardly there at all. I mean, what does that word mean here?

Mr. PANKEY. Well, let me go on. When you look at the—how we deliver mail, in most places in the country, we deliver on a horizontal level. We go from door to door to door. In some of the large—in most of the larger cities, we have what we call vertical delivery, we have got to go up in some cases. If you go to New York City, you can get into 40-story buildings that house somewhere in the neighborhood of 300 to 400 families in it.

A lot of the problems are the addressing problems, certainly here in Washington with the directionals, in New York City the multiple names, in New York City and some of the other larger cities, folks will not put their street number or apartment number on the mail, so that has caused some problems.

Ms. NORTON. Mr. Pankey, if I could interrupt for a moment.

If anything, you have given me reasons why New York should be more difficult. I have lived in New York and some of the names are unpronounceable. Very few such names in the District. Yet, New York—the Bronx is better. New York is better. Every city is better. And the reason I ask this question is to suggest that I don't think one can—any impressions you had as to the difference, of course, would enlighten me, but I do not believe we will be able to get to the root of this very special, last place, District of Columbia problem until we do something analytical like look at comparable cities and try to see from such an inspection, such an approach, what it

is that would make a city like this rank below every city in the United States.

I don't think we are going to be able to do it simply by going at service improvement here, there, and everywhere in the District as you are energetically, and as I so appreciate. When all is said and done, I cannot be sure that any improvements you are making will be permanent unless I know what the problem was in the first place.

I still do not know what the problem was in the first place. And I am asking you as you go about trying to bring the District up from last place, that you do more than you are doing, as much as I appreciate what you are doing. We simply don't want to be faced next year with the problem having resuscitated itself. And I think that—that there is every reason to believe that could happen unless we know why the problem is so much worse here than it is other places.

Once we know that, then we will have our finger—we will know what to keep our finger on. We will know what to monitor, and that is still, as far as I am concerned, the missing—the missing factor, and it is for me the largest factor because we are in last place. And very frankly, gentlemen, I am tired of being last. I appreciate your efforts to bring us out of last place. I want somebody else to be last. I want at least one city beneath the District of Columbia.

POSTAL SERVICE BUYOUTS

I had not intended to ask a buyout question, but Chairman Hoyer's question compels me to do so. He and I worked very hard on buyouts for the Federal Government.

I have just had a hearing. Progress has been very good on buyouts for the Federal Government. They don't envision RIFs. When Chairman Hoyer asked about buyouts, I appreciate your answer that in your rehires, there are factors other than the fact that some people left in the buyouts; increasing mail volume and the rest.

I would not have been as concerned with your answer had you not indicated that the buyout matter and the way they were done should really be separated from what we are discussing here today. Because that says to me that if the Postal Service were to do buyouts again, you would do it again the way you did it.

It seems to me that in your opening statement to Chairman Hoyer when you said, "well, we allowed people to take buyouts who wanted to take buyouts," and once they started to do it and it got to be more than we envisioned, then there was nothing we could do about it. I was amazed at that answer.

Suppose it had gotten to be not 40,000, but 100,000? Whoever heard of buyouts out of control of management?

And, you know, I am a strong supporter. I was one of your strongest supporters in buyouts; believe you paved the way in some ways for the rest of the Federal Government, although DOD has been doing them for years.

I would like to ask you, if you were doing buyouts again, assuming that we all learn from experience, would you, for example, have done targeted buyouts rather than say all-comers come on and any

of you all who want to go, regardless of its effect on us, is fine with us.

Do you believe targeted buyouts are a better way to do buyouts, and if you had the authority again, would you do it in that manner?

Mr. RUNYON. Well, we are not anticipating another buyout, so I need to preface that because I don't want our postal employees to think that all of a sudden that is opened up.

By the way, I get that question every time I go into a place, when is the next buyout coming?

It is possible that we could look at that in a different way. If we needed to have 30,000 open positions out of roughly 110,000, we wouldn't expect that we could get those 30,000 from that number. That just probably wouldn't happen.

Ms. NORTON. I am sorry. Would you repeat that?

Mr. RUNYON. If we needed 30,000 open positions out of 110,000 and we targeted to get those 30 percent, I doubt that would happen very much, plus it wouldn't be the 30 percent that we wanted.

Ms. NORTON. Even if you—well, look, the reason I—Mr. Runyon, we are doing buyouts in the Federal Government now and part of the reason—the rationale, and I am not satisfied that the rationale there is all that tight, but at least the Federal Government understands that it has a ratio of supervisors to employees that is twice that of the private sector. So at least they understand you ought to target the managers, to get the high rollers, target the people who cost you the most money. Because you are trying to save money, too, to take a very broad look at it, so that they will not be—we are all human, but there is some rhyme or reason to the targeting process.

I don't understand that management is at the—is at the behest of whatever employees decide to do when it comes to a buyout, nor that that would be in the best interest of the Postal Service. I can understand it is in the best interest of the employees. Many of them I represent. But I would say to them that when you do a buyout, the buyout isn't only for you. It is also for the government that is putting up the money for the buyout and the two have to come together.

So I don't understand the rationale that says, well, you wouldn't get everybody you wanted and there would be some misses anyway, so why not just let everybody go who wants to go. Then you get the kind of problem we have here, and at least part of the problem here undoubtedly comes from the fact that the buyouts weren't targeted.

Mr. RUNYON. If you wanted to have 24 officers leave and you have 50 officers, are you suggesting that we target 24 of them and if they don't go, then we wouldn't have the buyouts?

Ms. NORTON. I am suggesting that you target officers and hope for 24. You can't make 24 go, because these are voluntary buyouts. If you don't get 24, let's say you get half of 24, then you move on and try to get the rest where you can.

Mr. Runyon, I don't mean to sit here and take up time indicating how the Postal Service ought to do buyouts. I am only trying to get some understanding that there was at least another way to go about it, a more targeted way, a more strategic way, a way that

might have left you at least somewhat better off than you find yourself today.

Mr. RUNYON. Well, where we are today, the buyouts did not cause the problem of what we have today.

Ms. NORTON. Had nothing to do with the problem? No ingredient whatsoever in the problem?

Mr. RUNYON. The buyouts were replaced about a year ago. That problem should have gone away then. You know, the problem we have now is a problem in Washington, D.C.; 82 percent of our mail.

Ms. NORTON. The buyouts were replaced. I see. The very fact that if the Federal Government downsizes 272,000 people, as we are now, and have to replace them, we would consider the buyouts a failure here. The whole point is we say you can't even come back on the payroll for five years, so we don't want—we say this is a permanent downsizing, so that when you say the buyouts have had to be replaced, it says to me that some greater targeting might have been beneficial.

Mr. RUNYON. Well, in retrospect, it probably would have been better if we said we want 30,000, the first 30,000 get it, that is it, period.

Ms. NORTON. No matter who they were, Mr. Runyon?

Mr. RUNYON. Well, depending on who we said could go. We did have some people that couldn't go.

Ms. NORTON. I am not talking about without any targeting. If we said 30,000 and we will stop at 30,000, and we don't care who you are, you think that would have done it?

Mr. RUNYON. Part of our management job is to put people in the right jobs, and if we have someone who leaves that we have to replace, then we have other people in the organization to replace them. We had to make a lot of moves as a result of that. We allowed postmasters, for example, to open up positions.

We knew we had to replace those postmasters because we were not reducing the postmasters, but we also knew that we had to take some people in higher level positions and have a spot for them to go to.

Postmaster jobs were a good spot for them to go to if the Postmaster General wasn't there. It is not that we didn't need the Postmasters. We knew we needed them and we still allowed them the privilege of buying out so that we would have a place for some of the changes that had to be made in the organization for people to go to.

It is very necessary that you have a place for people to move if their job is going to disappear, and the people whose jobs disappear, it is very hard for us to target only those whose jobs are gone.

Ms. NORTON. The buyouts I guess in point of fact, Mr. Runyon, were driven as much by the need to save money as anything in the Post Office. You were under a great deal of pressure.

POSTAL SERVICE RESTRUCTURING

Mr. RUNYON. The reason for the buyouts is that we knew we needed less people.

Ms. NORTON. You were overstaffed?

Mr. RUNYON. Yes. We knew we needed to reduce the bureaucracy in the organization. We could have had a RIF and we went to OPM, and said to OPM, we need to reduce these people and so do we run a RIF? And they said, it is difficult to run a RIF, and you have never run a RIF in the Postal Service. It will take you a year to get prepared to run a RIF, and we would recommend that you use buyout. And we worked with OPM on how we would go about doing that buyout. It wasn't something we did in vacuum. We did work with OPM on that buyout.

Ms. NORTON. Mr. Runyon, I think that the Postal Service needs to do its own internal debriefing, self-critical debriefing, of the buyout process there. And I believe my committee or the GAO need to do it largely so we can learn from the buyout that occurred there, and so we can separate what of these shortages are—or hirings or placements had to do with buyouts and what did not. Because I certainly accept that many of them did not and that there may have been other strategic reasons for buying some people out.

Saving money I think was important in this buyout. And very frankly, I think saving money is the complete driving force in our buyouts. I mean, we have a National Performance Review that is extraordinary, but this number keeps going up without being related to efficiency. So for the very fact that the Federal Government is doing this on a government-wide basis for the first time, and your answers, suggest to me that we all need to use this last experience, not because there is going to be another buyout, but because we can learn a lot from it.

WASHINGTON DC MAIL SERVICE

I would like to ask one other question on the audits. You know, I had indicated that I am very interested in these audits, and think that they are very important for what they have revealed. I would like to particularly ask about a recent audit in the District that seemed to indicate that plant and late dispatches may be—a heavy cause of the problem here, as opposed to other places, such as delivery, direct delivery that you had been looking at. And I wonder if you could elaborate on whether we have pinpointed some of the problem as located in the plant itself, the processing plant itself.

Mr. PANKEY. Yes, Delegate Norton, we have. And we have put procedures in place to correct that, including moving some of that distribution that is normally performed in a plant, we are moving that out to that station. And what is happening here is that we have been able to eliminate some steps and some handlings in the process that should ensure on-time delivery to those stations.

Ms. NORTON. We will be looking very much to see if, as a result of what you do there, we begin to see better service here.

Finally, there is audits. We know that you do these weekly audits which have been very important for you to have something to measure yourselves by, and for us to know whether improvement is taking place. I know these audits occur on a weekly basis as opposed to what Price Waterhouse does for you. What Price Waterhouse does for you may be good enough for people who have average service, but for the District of Columbia which has the worst service in the country, we need what you have been doing on a weekly basis.

Might I ask if you would consider doing these weekly audits in this region until at least this region equals—or I am sorry, I shouldn't say this region equals, because the region is—the region's figures are really obscure, and there is often far worse service in the District of Columbia. So let me be clear. Would you be willing to do audits in the District of Columbia at least until the District equals the national average as measured by your Price Waterhouse averages?

Mr. RUNYON. Well, the way we are using these audits is to find out the kinds of problems you are pointing out, the questions you are just asking. When we get those problems fixed, then we wouldn't be doing those audits, but we intend to continue to do them until we get all those problems fixed and to work with you, because we want to work closely with you in resolving these problems.

Ms. NORTON. So until we get them fixed means until we are at least average?

Mr. RUNYON. Well, until the problems are not there. We need to find out what the next problem is going to be, if there is another problem behind these. We need to find the important things first and then keep working with the smaller problems and continue——

Ms. NORTON. I don't know if the problems are there unless I know—unless I look at the on-time delivery.

Mr. RUNYON. We are going to continue to share that with you. We have no problem with that.

Ms. NORTON. All I am asking is, could we have—let me be real clear about what I am asking. Could we have, given the service in this region, the weekly audits until we at least get to the point of being average, rather than depending, going back to depending on the quarterly readings?

Mr. RUNYON. When we look at average, we have a lot of different kinds of cities that are—that come into the average, very large cities and the very small cities.

Ms. NORTON. Price Waterhouse average.

Mr. RUNYON. Well, the Price Waterhouse average averages in people in Massachusetts who have a very small city that may have a 95 percent. It is rather difficult to use that to——

Ms. NORTON. Mr. Runyon, I would be willing to find what is the correct model, and if it is not Massachusetts, if it is Baltimore, we can deal with that later. My question really goes to whether you are willing to do weekly audits until we reach whatever is the correct average.

Mr. RUNYON. Yes, we do intend to do that.

Ms. NORTON. Thank you.

Thank you very much, Mr. Chairman.

Mr. HOYER. Mr. Bevill.

## MR. BEVILL'S STATEMENT

Mr. BEVILL. Thank you, Mr. Chairman. I will make this very brief.

I have got a statement I had hoped to make, but because of the time situation, I would like to just put it in the record.

Mr. HOYER. Without objection.

[The prepared statement follows:]

# CONGRESSMAN TOM BEVILL

**COMMENTS BEFORE THE APPROPRIATIONS SUBCOMMITTEE ON TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT**

**SEPTEMBER 28, 1994**

**10:00 AM**

MR. CHAIRMAN, I WOULD LIKE TO MAKE SOME COMMENTS ON THE SITUATION WE HAVE NOW WITH THE POSTAL SERVICE. BUT, I WOULD FIRST LIKE TO SAY A FEW WORDS ABOUT THE POSTMASTER GENERAL, MARVIN RUNYON.

I HAVE KNOWN THE POSTMASTER GENERAL FOR A NUMBER OF YEARS, DATING BACK TO HIS OUTSTANDING SERVICE AS THE CHAIRMAN OF THE BOARD OF THE TENNESSEE VALLEY AUTHORITY. HIS RECORD WITH THAT AGENCY SPEAKS FOR ITSELF. BY CUTTING COSTS AND BUREAUCRACY, MARVIN RUNYON MADE TVA AN EXAMPLE OF THE EFFECTIVENESS POSSIBLE IN OUR GOVERNMENT. DURING HIS YEARS AS CHAIRMAN, HE TESTIFIED BEFORE MY PANEL A NUMBER OF TIMES AND WE MET PERSONALLY ON MANY OTHER OCCASIONS. FROM THIS EXPERIENCE, I CAME TO RESPECT THE ABILITIES OF MARVIN RUNYON AS A LEADER AND AS AN ADMINISTRATOR.

AS YOU KNOW, MARVIN'S ABILITIES ARE NOT LIMITED TO GOVERNMENT. BEFORE TAKING THE POSITION WITH TVA, HE DISTINGUISHED HIMSELF AT BOTH FORD AND NISSAN MOTOR COMPANIES.

FOR OVER 40 YEARS HE WORKED TIRELESSLY TO STREAMLINE THE AUTOMOTIVE INDUSTRY AND TO BRING IT INTO THE MODERN ERA. HIS REPUTATION FOR TOUGH - BUT FAIR - MANAGEMENT, AND HIS TALENT FOR LONG TERM PLANNING ARE THE MAIN REASONS WHY HE WAS CHOSEN TO LEAD THE POSTAL SERVICE. CONSIDERING HIS PAST ACCOMPLISHMENTS, THE GOVERNORS OF THE POSTAL SERVICE WERE RIGHT TO CHOOSE MARVIN RUNYON FOR THIS POST.

MY FRIENDSHIP WITH THE POSTMASTER GENERAL NOTWITHSTANDING, I DO THINK WE HAVE A PROBLEM AT THE POSTAL SERVICE. THE CAPITAL REGION IS JUST ONE EXAMPLE OF THE UNSATISFACTORY PERFORMANCE MANY AREAS OF THE COUNTRY ARE EXPERIENCING. THE FACT OF THE MATTER IS THAT THE MAIL IS OFTEN NOT DELIVERED ON TIME. THIS IS A REAL CONCERN FOR THE AMERICAN PEOPLE, MY CONSTITUENTS INCLUDED. WHILE WE CANNOT EXPECT THE POSTAL SERVICE TO MAINTAIN A SUCCESS RATE OF 100%, WE CAN DO BETTER THAN WE HAVE BEEN DOING.

I HAVE SEEN THE FULL COMMITTEE REPORT RELEASED YESTERDAY AFTERNOON, BUT HAVE NOT HAD TIME TO CONSIDER ITS ACCURACY AND SCOPE. THE FINDINGS OF THE INVESTIGATIVE STAFF INDICATE THAT THE DECISIONS OF THE UPPER LEVELS OF THE POSTAL SERVICE HAVE BEEN INADEQUATE AND FLAWED. THESE ARE SERIOUS ALLEGATIONS WHICH WILL RAISE DOUBTS IN THE MINDS OF MEMBERS OF THIS COMMITTEE. WE SHOULD BUILD THESE CONCERNS INTO CONSTRUCTIVE CRITICISM THAT CAN BETTER THE SYSTEM. TO DO THAT, WE MUST CONTINUE TO TAKE INTO ACCOUNT ALL OF THE FACTORS AFFECTING SERVICE. AS WAS MENTIONED AT OUR LAST HEARING, THE PROBLEM GOES BEYOND THE BOARDROOM.

MARVIN RUNYON HAS THE ABILITY TO TAKE THE CRITICISMS OF THE REPORT AND OF THIS COMMITTEE AND TURN THEM INTO POSITIVE RESULTS. HE DOES NOT SHY AWAY FROM PAINFUL DECISIONS. HE WAS ASKED TO USE THESE QUALITIES FOR THE BENEFIT OF THE AMERICAN PEOPLE IN REFORMING AND REVIVING THE UNITED STATES POSTAL SERVICE. THE CONGRESS HAS HELD HIM TO THIS TASK AND CHECKED HIS PROGRESS EVERY STEP OF THE WAY. THAT IS OUR DUTY AS MEMBERS OF THIS BODY AND THIS COMMITTEE. I AM GLAD TO SERVE MY COUNTRY IN THIS FASHION, EVEN THOUGH IT SOMETIMES MEANS SITTING IN JUDGEMENT OF MY FRIENDS.

I URGE MY COLLEAGUES TO REMEMBER THE REASONS WHY MARVIN RUNYON WAS CHOSEN AS POSTMASTER GENERAL. I ALSO JOIN WHOLEHEARTEDLY WITH THE MEMBERS OF THIS COMMITTEE IN REMINDING HIM OF HIS CONTINUED RESPONSIBILITIES. THE AMERICAN PEOPLE DESERVE A BETTER POSTAL SERVICE AND MARVIN RUNYON CAN GIVE IT TO THEM. IT IS OUR JOB TO SEE THAT HE ACCOMPLISHES THIS GOAL.

* * *

Mr. BEVILL. I have known the Postmaster General for many years and I don't know anyone in the United States who has a better business background. He is, in my judgment, the ideal man for this job. As we all know, there are many things the Postmaster General is expceted to do and I am confident Marvin Runyon is the man to accomplish our goals. But, it won't happen overnight.

This is a problem that demands long-range planning, and Marvin Runyon has a record for doing just that. He worked for 40 years in the auto industry, first with Ford Motor Company and later with Nissan. He also served as chairman of the Board of Directors of the Tennessee Valley Authority, and appeared before my panel several times in that capacity. So, I know firsthand what he can do. He streamlined the Tennessee Valley Authority and he can streamline the U.S. Postal Service.

We must give him help and support in his efforts while also pointing out the problems in the Postal Service. I think the Postmaster General wants to know what is not working in his plan. His record suggests that he will take our constructive criticism and use it to better the Postal Service. I have confidence that he will continue to improve our nation's mail delivery system. In fact, if Marvin Runyon can't streamline the Postal Service and get it back on its, feet, I don't know of anyone in the United States who can.

Thank you.

Mr. HOYER. He is neutral, apparently, General, on your service.

Mr. BEVILL. You ought to hear me when I am prejudiced.

Mr. HOYER. Congressman Bevill, of course, is Chairman of one of the most important subcommittees of the Appropriations Committee. And has done great service to the country, and has overseen the TVA, and so has had the opportunity to see you and your performance. That is high praise and very strong support.

We are going to end. But let me make some comments if I can.

SOUTHERN MARYLAND INITIATIVES

First of all, Mr. Pankey, I mentioned Southern Maryland. I want to thank you for doing some of the things in Southern Maryland you should have taken credit for. You have held a number of town meetings in my district, at my request. You have heard customers and individuals firsthand. I think that it is important to listen to our customers. I was at a number of those, a couple of those at least where there was pointed criticism.

Mr. Donahoe was there. Mr. Pankey, I don't know whether you were at every one of them, but Mr. Carter was at one as well, as I recall, at least one. You have unified the 206 zip code to the extent it is mailed within that zip code. You have got—you are setting up some advisory councils, 206 and 207.

I know in the Crofton-Bowie area people were going bonkers. Bowie and Crofton are communities that are literally five minutes apart, but mail took days from one city to the other. You have now unified that, so there will be a special box for delivery, expanding your role in Waldorf to handle destination mail in the 206 area, and you have taken some other steps in Southern Maryland. I appreciate that.

General, and your staff who is here, this has been a relatively low-key hearing. I think your expectations were to the contrary. In fairness to you and to the Postal Service, we have kept this low key as it relates to this report. This report is somewhat incendiary. I understand that. It also raises some very serious, pointed, specific issues.

We have talked in a lot of generalizations in some respects, not in every respect. The next hearing in October I expect to be pretty pointed.

General, I have great respect for you, and as you know, some of my colleagues in my region have been calling for your resignation. I think that is inappropriate. I think that is untimely.

I don't know whether Mr. Bevill is correct, that if you can't do it, it can't be done. I will tell you this. As I said before, what is happening is unacceptable. I presume it is unacceptable to you.

I have been impressed with your measured responses and your lack of defensiveness. I think that is a very strong quality for you, but if I were in your seat, I would be angry. We need to do better and we are going to do better. We are going to demand better. I presume you are demanding better and we need to demand better.

This report deals with automation, which is a key, obviously, to increasing efficiency, but the report indicates it has been slowed. We need to discuss that next time. That may or may not be the case. I understand that, but if it is the case, we need to discuss it.

Training is obviously key. Training has been cited in this report as one of the major problems in the Washington area, yet the report indicates that training has been curtailed and decreased. We need to discuss that next time specifically, not in generalization, not about what is happening around the country, because what is happening around the country is much better than what is happening here. By whatever indicator you use, we are less than average. Ms. Norton has spoken to that.

I understand what the gentleman from Alabama says, but that is unacceptable and will not be tolerated. I presume by yourselves and not by me. I don't care what our infrastructure is. I cannot believe that our infrastructure is not up to par with the rest of the country.

The reorganization obviously had an impact. I want to have further discussions with you and testimony on what you think the specific ramifications of that reorganization have been and we will have questions about it.

Staffing, we have discussed staffing a little bit here and the effect of the buyouts, the 30,000 versus the 18,000 additional to get us to 48, and the fact that we did not expect to lose as many on-line personnel as we did. I understand they had to be replaced. That is understandable. And I understand as well, General, that there are some specific challenges to managing a postal service or Federal agency that do not lend themselves to as efficient an operation as the private sector or even quasi-public agencies like TVA, and we need to appreciate that.

I want to tell you that I want to look at possible legislation that will stop the Postal Service from transferring people who can't do

the job in Chicago to Gary, Indiana, or from Northern Virginia to Southern Maryland. That is not an acceptable situation to the American public.

I am as strong a fighter for the rights of public employees as anybody, but they need to perform, because if they don't perform, the 95 percent of those who perform very well pay the price in terms of the respect and confidence of the American public. You are shaking your head and I know you and I agree on that.

You discussed the corporate culture. I want to have an understanding of what it is and perhaps together we can help change it. I want to have our employees confident that if they perform will, they are going to get a fair shake and good pay and the benefits which they deserve.

General, I share a confidence that you can get this job done. But I would be less than candid if I did not say in the two hearings we have had, I haven't found you as critical of some things as I think you probably are. I think you are doing that because you want to take care of it internally without creating a hullabaloo. I understand. But we have got to get to the bottom of this.

Now, we need to have our public confident that the service that you give is the best, and they can count on it.

Eighty-one percent on-time delivery ought not to be acceptable. Now, that is the average, but it ought not to be acceptable. We can do better and we need to do better. And if we do better, the American public will have more confidence in all of us.

In closing, let me again say that the men and women of the United States Postal Service are the most productive in the world. I continue to say that, because although the performance, is not acceptable in this region and in some other regions, there is no doubt that when you relate us not region by region, but country to country, our Postal Service, as you know, General, I have said it before, is 40 percent more productive than any other Postal Service in the United States. Number two is Japan, where they are beating us in productivity in some other areas, although we are getting our act together and they are finding out that Americans can do it as well as anybody in the world, no matter what it is, producing cars, VCRs or delivering the mail.

So the next hearing is going to be a more particular and precise hearing, General. I was pleased to accede to the request that you made for more time to review the report. I look forward to working with you over the next three weeks as we exchange information, and then continuing, as Ms. Norton says, to systemically review performance and ensure improvement.

Thank you, General.

Mr. RUNYON. Thank you.

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